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**FREE TRADE UNION.**

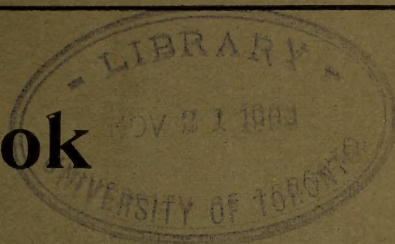
# Handbook

for

# Speakers

on the

# Tariff Question.



LONDON:

Published by the Free Trade Union,  
8, VICTORIA STREET, WESTMINSTER.

ff

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HANDBOOK FOR SPEAKERS  
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# HANDBOOK FOR SPEAKERS ON THE TARIFF QUESTION.



OCTOBER, 1903.

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Published by the **FREE TRADE UNION**,  
8, VICTORIA STREET, WESTMINSTER, S.W.

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"I am one of those who profoundly distrust the current creed—or the creed which is largely current—that the prosperity of one nation is the adversity of another; that he best serves the industrial prosperity of his own nation who attempts to depress the industrial prosperity or to snatch a share of the common work of industry from some other nation. I believe this to be utterly untrue. I do not, of course, deny—I am not Utopian enough to deny—that there is some real basis of truth, some element of reality, in what is called commercial rivalry between this nation and that nation, between one industrial community and another industrial community, just as I am ready to admit that there is a real basis of fact in the collision of interests between employers and employed. But my firm conviction is that these oppositions of interest are absolutely insignificant compared with the great community of interest in which they ought to be lost and forgotten. Nobody would persuade me that what on the whole and in the long run is good for the employed is bad for the employer, or that what on the whole and in the long run is good for the employer is not also good for the employed. What the world wants, irrespective of class or nationality, is a greater production of the things that mankind require; and the disputes as to the division of the results of this great industrial work are really insignificant compared with the interests that are involved in making the work of the world profitable and efficient. In the ordinary current controversies of the day it is supposed that what is good for one industrial country, let us say in a neutral market, is of necessity wholly bad for what are called its trade rivals. There may be some truth in it, but the truth is a petty and insignificant fraction of the whole truth, and the whole truth is that what we want is that methods of production should be improved, and that the improvement should be shared by every nation and people on the earth. The riches of one nation conduce, believe me, not to the poverty, but to the wealth of another nation, and if we could double or treble by the stroke of some fairy wand the wealth of every other nation in the world but our own, depend upon it our nation would greatly profit by the process."

MR. BALFOUR at the Iron and Steel Institute,  
*May 8th, 1903.*

"... We, in our colonial policy, as fast as we acquire new territory and develop it, develop it as trustees of civilisation for the commerce of the world. We offer in all these markets over which our flag floats the same opportunities, the same open field, to foreigners that we offer to our own subjects, and upon the same terms. In that policy we stand alone, because all other nations, as fast as they acquire new territory—acting, as I believe, most mistakenly in their own interests, and, above all, in the interests of the countries that they administer—all other nations seek at once to secure the monopoly for their own products by preferential and artificial methods. . . ."

MR. CHAMBERLAIN at the Birmingham Chamber of Commerce,  
*November 13th, 1896.*



## PREFACE.

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THE object of this volume is to bring into manageable compass the principal facts and figures bearing on the Free Trade controversy, and thus serve as a reference book for speakers and writers upon the subject. The figures given are, for the most part, taken from Board of Trade Returns, in particular from the "Memoranda, Statistical Tables, and Charts" bearing on "British and Foreign Trade and Industrial Conditions" (Cd. 1761), referred to briefly in this volume as "The Memoranda."

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# HANDBOOK FOR SPEAKERS.

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## I.—IMPORTS AND EXPORTS.

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The central point of the Free Trade doctrine is that all trade being exchange, Exports and Imports are mutually dependent. All Protectionist objections will be found to rest on different ways of misunderstanding this fundamental truth. How misconceptions arise and how they should be dealt with may best be illustrated in an imaginary dialogue.

*Q.* Leaving the theory of Free Trade on one side, has not experience shown the disadvantage of the British system of free imports?

*A.* Certainly not ; in the main free imports have meant cheap food and a greatly improved standard of living for the British people. If you will state the experience on which you rely, we can judge better on which side the truth lies.

*Q.* Do we not import far more goods than we export ?

*A.* Certainly. In 1902 we imported goods valued at £528,000,000, and we exported goods valued at £349,000,000.

*Q.* Then is not the balance of trade against us ?

*A.* If I send out £300 worth of goods and get £500 worth of goods back, the balance would seem to be in my favour.

*Q.* But if you send out £300 worth of goods and get £500 worth of goods back, must you not give a cheque for the balance ?

*A.* Yes, unless I am paid £200 for work I have done and for profit on the transaction.

*Q.* Will you explain what you mean ?

*A.* It is very simple. An English merchant sends to Germany in an English ship a cargo of British goods worth £1,000 when it is put on board ship in London docks. When the ship arrives at Hamburg he sells this cargo for £1,200. The £200 represents freight and profit. With this £1,200 he buys German goods and comes back to London, where he sells them for £1,400 to cover freight and profit. In the returns this transaction is entered as : Exports, £1,000 ; imports, £1,400. The balance of trade is not against the English merchant, but in his favour. The £400 excess of imports over exports represents payment for freight earned by an English ship and the merchant's profit.

*Q.* Do you mean to tell me then that Britain has not to pay in solid gold for the difference between imports and exports ?

*A.* I mean to tell you just that very thing, notwithstanding Mr. Seddon's ridiculous statement that Britain had to send abroad



160 million golden sovereigns to pay for the difference between imports and exports in one year only.

*Q.* But how do you know Mr. Seddon was not right?

*A.* Very easily. There are not as many sovereigns in the country to send.

*Q.* But perhaps the gold was sent in bars?

*A.* Impossible; a record is kept of all the gold which comes into the country and all which goes out. So far from sending out gold to pay for our imports we actually import more gold than we export.

*Q.* That's strange! How then do you account for Mr. Seddon's mistake?

*A.* From thoughtless picking up of current fallacies without examining them.

*Q.* Is it not possible that the foreigner is paying off the money he has borrowed from us in the past, and that the excess of our imports represents the return of our capital invested abroad?

*A.* It might be possible, but it is not the fact.

*Q.* How do you know?

*A.* Because the amount of British capital invested abroad increases every year.

*Q.* What evidence have you of that?

*A.* The Report of the Commissioners of Inland Revenue published every year. The report shows the amount of income derived from British capital invested abroad in respect of which income-tax has been paid. According to the latest report, the figures are: 1881-82, £30,600,000; 1891-92, £54,700,000; 1901-02, £62,600,000.

*Q.* Well, then, if Mr. Seddon was wrong, and if also the foreigner is not paying off the debt he owes us, can you give details of the various factors which go to make up the great difference of £179,000,000 between our imports and our exports?

*A.* The earnings of our ships account for a great deal of the difference.

*Q.* How much?

*A.* Probably something like £90,000,000 a year.

*Q.* How do you get at that figure?

*A.* It is the official estimate made by the Board of Trade in their recently published Memoranda on British and Foreign Trade.

*Q.* But why do you say that the earnings of our ships are paid for by our imports?

*A.* Because just as we do not and could not pay the foreigner in gold for the goods he sends us, so the foreigner does not and could not pay us in gold for all the services we render him by our shipping. If we refused to take his goods he could not employ our ships.

*Q.* But £90,000,000 for our shipping does not account for the whole difference between our imports and exports. How is the rest made up?



*A.* Very largely by interest on the money which is owed us.

*Q.* Is there anything else?

*A.* Yes, the profits on our international banking, insurance and other businesses. If we refused to take the food and other goods the foreigner sends us in payment for the services we render him in these businesses he could not employ us, and those who are now engaged in these operations would be thrown out of employment.

*Q.* Still, I hear many people say that if we import more goods than we export we must be buying more than we sell, and therefore the nation must be steadily impoverished. Is that not so?

*A.* If it were so we should have been bankrupt years ago. In the last ten years alone, according to the Board of Trade returns, we have imported goods to the value of £1,600,000,000 more than we have exported. But, of course, this enormous excess means that we have been paid every year large amounts for the work done in connection with our ships and our international businesses, as well as interest on the money owed us. Such work represents really an export of British labour or services, and is paid for by our imports.

*Q.* Do you mean to say, then, that if we shut out the foreigner's goods by a protective tariff the foreigner would take less goods from us, or would employ our ships or our business firms less?

*A.* Certainly; if we shut out the foreigner's goods he could not pay us. No nation has any gold to export, except the very few who have rich gold mines; and even in their case the amount of gold is small compared with the total volume of our trade. We must take goods in exchange for the goods we export and the services we render.

*Q.* But other nations besides us have ships and foreign businesses, and foreign investments. Ought they not also to have an excess of imports over exports?

*A.* Certainly; and that is what we actually find. Germany, France, Belgium, Denmark, Holland, Italy, Sweden, Switzerland, all have an excess of imports over exports. On the other hand, in the case of Austria-Hungary, Russia, and the United States, there is an excess of exports over imports.

*Q.* How do you explain the excess of exports over imports in the case of the last-named countries?

*A.* Very easily. They are countries which have incurred a considerable debt abroad, and they have to export goods in payment of interest—or repayment of capital where it is being paid off. Moreover, in the case of the United States there is another reason. They have a large foreign trade, but, owing to their protective system, their foreign shipping has steadily declined, and now their foreign trade is mainly carried in British ships. The United States have to pay for this, and do so in the only possible way—by the export of their goods.

*Q.* But is it not the fact that under our system of free imports some British industries have declined?

*A.* Some British industries have declined in the last generation, others have thriven. The same is true in every country, whether Free Trade or Protectionist.

*Q.* Take the case of woollen manufactures. In 1901 we imported £9,578,000 worth. Might we not, with the help of a duty, keep out this nine million pounds worth and thus further increase the employment in the woollen industry?

*A.* Certainly we could keep out the woollen manufactures we now import by a sufficient duty, but consider the price we should have to pay. As we have seen already, the nine millions worth of woollen manufactures were sent us as part of our payment for goods sent out and for services rendered by us to the foreigner. If we refused to take the woollen manufactures, all the people now employed in doing that work in exchange for which the woollen manufactures were sent us would lose their employment. But that is not all.

*Q.* What other objection have you?

*A.* Just this; that the price of all woollen manufactures would rise, and that we should be unable to afford to buy as much as we do now. We should be less well clothed, and we should all be so much the poorer.

*Q.* If you do not mind telling me, I would like to understand why you say that we do not pay for the goods we order in cash. Take an example: If a British contractor orders £1,000 worth of steel from Germany, does he not pay for that in money?

*A.* The contractor, if he had not a contra account, would no doubt send a cheque for the amount due. The cheque would come back to the contractor's bank, and the banker would transmit to Germany, for the German firm, a bill or a credit for the amount. In the course of trade there would be a number of such bills passing backwards and forwards between the two countries, representing a great many single transactions. The bills due on one side and the other are set against each other in the dealings of bill discounters, and if at any time the balance against one or the other country is heavy, the rate of discount rises accordingly. Should the rate rise to a sufficient point it would become profitable for the debtor country to incur the expense of exporting gold in payment of the difference.

*Q.* That is just what I say. Is it not a fact that gold, after all, has to leave the country?

*A.* Stop a bit! I have said that if on the balance of all the transactions a sufficient debt was due to Germany, then, no doubt, gold would be sent there. But mark what happens: If gold leaves England to any appreciable extent, the Bank, in order to stop the outflow, puts up the Bank rate. Money in consequence becomes dearer in England, and there is a check to our home trade which brings down prices. Now, as prices drop at home it becomes less

profitable to import and more profitable to export, and in consequence our exports increase and our imports diminish and the gold flows back into this country. You have only got to examine the figures to see that a permanent flow of gold from one country into another does not, in fact, take place, and you have only to understand the methods of business to realise that it never could.

*Q.* You say that some of our imports are sent us in payment of the interest due on our foreign investments. Is not that an injury to the producers in our country, as, but for this, such imports would be paid for by the export of commodities?

*A.* In the first place you must remember that it is impossible to stop these imports coming into the country. Those British citizens who have invested capital abroad are naturally determined to enjoy their dividends. Even supposing that our total imports were diminished by a tariff, these dividends would still be spent on foreign goods to be imported here. Our exporters would not get any advantage.

*Q.* Will you explain that more clearly?

*A.* If you reduce our total imports by means of a tariff, while that portion of the imports which are sent us in payment of the interest due on our foreign investments remains the same, it is clear that the balance of our imports must be diminished. Now this balance is just that part which is paid for by our exports, and therefore, to put a tariff on imports would hit the exporters who supply the goods in payment for which the imports are sent us.

*Q.* It is very difficult to understand how this could be true in the case, say, of the United States and ourselves. We import from them vastly more than we export. Must we not pay for this difference, at any rate partly, in money?

*A.* You must remember that trade is international. The great excess of our imports from the United States over our exports to that country is not paid for by a flow of gold from us, but, as already explained, either by services rendered by our shipping, or by exports to other countries to which the United States owe money; in other words, instead of paying Americans directly, we "take up" and discharge American debts to other countries.

*Q.* Do you say, then, that the great amount of our imports is a sign of prosperity?

*A.* Certainly; it shows that our people are large consumers, and that home employment is active, for no one would send goods into the country unless we gave something in exchange. As has been already shown, we do not give money in exchange, nor are we buying the goods out of our capital. We earn them year by year by our labour, and in exchange for our labour we get cheap food and such commodities as we want.

#### *The Board of Trade on the Excess of Imports.*

The above points are in the main embodied in the Board of Trade Memorandum on the Excess of Imports, as will be seen from the full extracts which we now give:—



"Of the whole of the commercial and financial transactions between any country and the outside world, which over a period of years, though not necessarily within the limits of any single year, must balance one another, only a portion are embodied in the commodities which pass outward and inward as exports and imports. There is thus no necessary equality between the values of imports and exports of commodities. As a matter of fact, for many years imports into the United Kingdom have always exceeded exports. An inquiry into the causes of this excess of imports is, therefore, an inquiry into the nature and value of the unrecorded transactions and services rendered and received, which, one year with another, will balance the account.

"It may be said at once that any answer of a statistical nature to the inquiry can only be of the roughest kind."

*Having given a table showing the excess of imports for each year from 1893 to 1902, the Memorandum continues:—*

"We have, therefore, to account for an annual excess averaging 161 millions over the last ten years, and varying in individual years during that period from a minimum of £132,000,000 to a maximum of £184,000,000 :—

"The excess on the whole has tended to increase, though the gradual rise is obscured in individual years by oscillations up and down. Thus the average for the first half of the period was 144 millions; for the last half 178 millions. In the middle year of the period (1898) the excess was at a "maximum," relatively to the years preceding and following it. It may be noted in passing that the figures show that the excess of imports extends to bullion and specie as well as to merchandise, so that no part of it is accounted for by an outward flow of precious metals.

"It is convenient, in analysing the causes of the excess, to neglect the special fluctuations characterising particular years, and to deal broadly with the "normal" excess, which we see to be a total of some £160,000,000 a year, with a tendency to increase."

"There are, in the first place, some minor adjustments of the recorded figures in order to make them complete, *e.g.*, by including items such as diamonds, which are not registered, and the exports of ships, which were not included at all in the earlier years of the period, and only so far as regards new ships in the later years. Moreover, in a complete investigation we should have to deal with such items as the expenditure of British travellers abroad and foreign travellers in the United Kingdom, or remittances from India on account of pensions and part salaries of Civil servants. But these are comparatively matters of detail, which do not greatly affect the totals, and in a broad inquiry like this they may all be neglected.

"The first great item which is omitted in our trade returns, and which has to be added to our exports, is on account of the earnings of our carrying trade—both shipowners and underwriters—not only on the carriage of our own imports and exports, but also in carrying goods between foreign countries or between British colonies.

"We have, in fact, to add to our exports the whole gross earnings of our merchant fleet engaged in the foreign trade *less* any amount which is expended abroad.

"There are no official statistics showing what the earnings of our merchant fleet amount to, but some indication of the amount to be allowed for under this head may be obtained from the following considerations:—

"The following table shows, for the three years 1891, 1896, and 1901, the aggregate imports into and exports from all the principal countries of the world:—

—	Imports.	Exports.	Excess of Imports.
	Million £	Million £	Million £
1891 ... ..	2,099	1,850	249
1896 ... ..	2,147	1,898	249
1901 ... ..	2,516	2,292	224

"It will be seen that the average excess of imports over exports, taking the whole external trade of the world into account, bears a fairly definite relationship to the aggregate of trade. The amount of the excess in 1901 was, however, somewhat less than in either of the other years, viz., about 224 million pounds. On the basis of this table, and calculating the proportion of British to foreign shipping, the Board of Trade arrive at a result giving 89½ million pounds as the sum to be added to our exports on account of the estimated earnings of our carrying trade. To this ought, strictly speaking, to be added something on account of outlay of foreign vessels in United Kingdom ports.

"The figure is, of course, a very rough one, requiring confirmation from other sources."

*The Memorandum then shows that Sir Robert Giffen arrived independently at an estimate of £90,000,000, and proceeds:—*

"Without professing that either of these calculations is wholly satisfactory, we may, perhaps, regard the close agreement of their results as affording sufficient grounds for assuming a sum not less than 90 million pounds as the sum to be added to our exports on account of the ocean carrying trade.

"It should be particularly noted that this very large addition is not solely (or chiefly) due to the freights earned on the carriage of our imports, which is the item most frequently quoted in discussions on this subject. It is due to the freights and other earnings on the whole volume of goods carried by sea by British foreign-going vessels, whether from or to the United Kingdom, or between foreign countries or British colonies."

"The second great item to be considered is the effect of our foreign investments on the balance of imports and exports. It is necessary to distinguish between the results of the actual transference of capital and of the annual return received on the

aggregate sum invested. It is evident that these two factors operate in opposite directions. . . .

“The records of assessments to income-tax on income of foreign origin remitted to this country leave little doubt that the interest receivable on foreign investments has increased in recent years :—

“The profits that could be identified as foreign for income-tax purposes rose from 54½ millions in 1891-2 to 62½ millions in 1901-2. The figures are given in the Appendix on p. 104, from which it will be seen that this total only includes foreign and colonial securities, coupons, and railways, and hence is exclusive of the return on British capital invested in a large number of miscellaneous industrial enterprises abroad. It is, moreover, certain that the profits assessed to income-tax form only part of the whole, and that some of these profits escape assessment, while others are not identified as foreign. It should, however, be mentioned that probably part of the increase shown in the table on p. 104, especially in earlier years, is apparent only, being due to greater stringency on the part of the Inland Revenue. . . .”

“In considering, therefore, the average amount to be allowed annually on account of income from foreign investments, we are justified in concluding that 62½ millions is a minimum figure, which is probably largely exceeded, though we are unable to say by how much.

“In 1898 Sir Robert Giffen estimated the total at 90 millions, and this estimate, though not established by official evidence, is not inconsistent with the partial official figures given above. Whatever the actual total may be it is evident that when added to the 90 millions to be allowed for the carrying trade it is sufficient, and probably more than sufficient, to account for the average excess of imports, viz., 160 millions :—

“Any balance (other than that due to the inevitable roughness of the figures) is probably mainly attributable to the net outward flow of capital for investment abroad, which, as stated above, has operated to increase the visible exports, just as the receipt of interest on the foreign investments has tended to increase the visible imports.”

### SUMMARY.

To sum up the foregoing points :—

The two chief Protectionist bogeys are that through the excess of imports over exports

(a) The British workman loses his employment.

(b) The nation is living on its capital.

The reply is :—

Our imports are paid for by British industry, *i.e.*, by the employment of the British workman.

It is said that this cannot be true because imports greatly exceed exports. So they do, but of the balance of £179,000,000 half (*viz.*, £90,000,000) is due to our shipping, *i.e.*, to a British industry for which imports are a payment.



As to the remaining balance, some part is due to banking and other services, and the rest to interest on our foreign investments.

If it be said that this last portion of our Imports at least is not paid for by British labour in the present, though earned by British labour in the past, that is true, but if our exports were diminished by taxation it is not this portion which would be reduced. The British investor would still draw his dividends, but the British exporter would lose his market.

- (a) Hence it is strictly true that to diminish imports by taxation is to diminish exports, and so curtail employment.
  - (b) We are not living on our capital, but our foreign investments are increasing.
-

## II.—GROWTH OF GENERAL PROSPERITY.

The prosperity of the nation as a whole under Free Trade as compared with Protection may be judged from the following Tables published by the Board of Trade :—

Year.	Popula- tion. millions	Death rate per thous- and.	Wheat, average price per qr. of 410 lbs.	(f) Food Imports, total value.	(f) Food Imports per head of popula- tion, total value.	Foreign Trade, total per head of popula- tion, value	In- come Tax, yield of each penny.	Income Tax gross incomes brought under review, total.
1801..	Returns incom- plete.	Returns wanting or incomplete.	s. d. 119 6	£	£	£	£	£
1811..			95 3	Cannot be given. The Real Value of Imports was not ascertained prior to 1854.			Cannot be given for the United Kingdom, the Income Tax Acts not being extended to Ire- land until June 28, 1853	
1821..			56 1					
1831..			66 4					
1841..			64 4					
1851..		22·0	38 6					
1861..		21·6	55 4	88,141,000	3·0	13·0	1,162,250	311,890,503
1871..		22·6	56 8	130,767,000	4·1	19·5	1,654,277	445,670,197
1881..		18·9	45 4	181,673,000	5·2	19·9	1,915,683	560,064,336
1891..		20·2	37 0	188,177,000	5·0	19·7	2,238,130	678,193,442
1901..		16·9	26 9	224,585,000	5·4	21·0	2,531,462	866,993,453
1902..		16·3	28 1	224,520,000	5·4	20·9	2,580,000 estimated	Not yet ascertainable.

Year.	Income from Trades and Professions (Schedule D), total.	Profits from Houses (Schedule A), total.	Profits from Colonial and Foreign Securities, total.	(l) Post Office and Trustee Savings Bank Deposits, total.	British Shipping, total tonnage.	Bankers' Clearing House Returns, total.	(t) Deposit of Friendly Societies, total.
1801..	£	£	£	£	Tons. 1,986,076 (1803)	Million £	£
1811..				—	2,247,322	—	
1821..	Cannot be given for the United Kingdom, the Income Tax Acts not being extended to Ireland until June 28th, 1853.			Can't be given	2,355,853	—	Returns not made.
1831..				13,719,000	2,224,356	—	
1841..				25,782,000	2,935,399	—	
1851..				30,278,000	3,662,344	—	
1861..	93,888,251	61,924,178	no figures available.	41,533,000	4,806,826	—	
1871..	141,901,164	87,721,110		55,845,000	5,694,123	4,826	8,026,894(u)
1881..	171,859,360	120,877,195	30,573,706	(m) 80,335,000	6,691,996	6,357	13,999,268(v)
1891..	193,550,936	143,146,177	54,728,770	(m) 114,484,000	8,279,297	6,848	26,663,811 v)
1901..	205,355,871	184,572,687	62,559,479	(m) 192,359,000	9,608,420	9,561	43,232,500(v)
1902..	Not yet ascertainable	—	—	(m) 197,105,000	10,054,770	10,029	Not yet ascertainable.

f Including liquor and tobacco ; m excluding investments in Government Stock ; t increase largely due to more complete returns ; u England and Wales only ; v United Kingdom ; l Post Office Savings Bank began 1864.

Observe the growth of population, the decline in the death-rate (which means better food, clothing, housing, and sanitation), the fall in the price of wheat, the increased importation of food, the increase of trade per head of the population, the increase of incomes, and of savings.

The following table shows further the

### DECLINE OF PAUPERISM.

*Average Number of Paupers in England and Wales in every 5-year period since 1854.*

Years.	Number.	Ratio to Population Per cent.
1855-9 ... ..	894,822 ... ..	4'7
1860-4 ... ..	948,011 ... ..	4'7
1865-9 ... ..	962,075 ... ..	4'5
1870-4 ... ..	951,699 ... ..	4'2
1875-9 ... ..	752,976 ... ..	3'1
1880-4 ... ..	787,118 ... ..	3'0
1885-9 ... ..	788,357 ... ..	2'9
1890-4 ... ..	765,282 ... ..	2'6
1895-9 ... ..	814,749 ... ..	2'6
1900 ... ..	792,367 ... ..	
1901 ... ..	781,298 ... ..	
1902 ... ..	801,356 ... ..	

Here is the briefest possible summary of the most salient facts indicating the growth of our prosperity under Free Trade :—

#### *Income Tax Assessments (gross).*

1868 ... ..	398 millions.
1901 ... ..	866 „

#### *Under Schedule "D." Trades and Professions.*

1868 ... ..	173 millions.
1901 ... ..	487 „

#### *British Shipping.*

1861 ... ..	4'8 million tons.
1902 ... ..	10'1 „

#### *Pauperism.*

1861 ... ..	47 per thousand.
1902 ... ..	25 „

#### *Average Price of Food to a Workman's Family (Index Numbers).*

1877 ... ..	143
1901 ... ..	100

Fall 30 per cent.

#### *General Course of Wages. 1878 to 1901.*

Including Agricultural Wages ...	Increase 13'71 per cent.
Excluding „ „ „ „	15'71 „



### III.—OUR EXTERNAL TRADE.

Our first table gives the average imports and exports of every five years from 1856 to 1900, with the figures for 1901, 1902, and the first half of 1903.

The Board of Trade returns begin with the figures for 1854, the figures for previous years not being properly comparable owing to a change in the method of collecting returns.

BRITISH COMMERCE, 1851-1902.—IN MILLIONS OF £.

Average of Quinquennial Periods.	Imports. (Values include cost of freight and insurance.)	Exports of British Produce. Ships excluded. (Values are exclusive of freight and insurance.)
1856-1860	182·9	124·2
1861-1865	247·6	144·4
1866-1870	292·7	187·8
1871-1875	359·9	239·5
1876-1880	382·5	201·4
1881-1885	399·5	232·3
1886-1890	389·6	236·3
1891-1895	417·7	227·0
1896-1900	474·2	249·1
In the year 1901	521·9	270·8
In the year 1902	528·8	277·6
In the six months January to June, 1903	260·5	140·2

It should be remarked that part of the great apparent increase in the period 1871-5 was due to *inflation* of prices, while the comparative stagnation between 1880 and 1895 was due similarly to a general *fall* in prices. From 1896 to 1900 there was some rise in prices.

Hence a truer view of the real progress of our trade, both export and import, during the last thirty years is obtained from the following table, prepared by the Board of Trade, in which allowance is made for the fall of prices since 1873. This table shows what the value of our exports and imports would have been in the years 1883, 1893, and 1902, at the prices of 1873, and therefore enables us to measure the increase in quantity or *volume* of trade:—

	Imports. Million £.	Exports. Million £.
1873	371	255
1883	526	295
1893	611	329
1902	797	418

Thus in quantity the increase of both our imports and exports is continuous and very large.

#### THE GROWTH OF OUR EXPORT TRADE.

We next give for every year since 1854:—

- Our total exports (excluding ships).
- Our total exports of manufactured goods.
- Our exports excluding ships, coal and machinery.
- Our exports of coal.
- Our exports of machinery.

Year.	a. Total Exports excluding Ships.	b. Exports of Manufactured Goods.	c. All Articles (except Ships, Coal, and Machinery).	d. Coal (includ- ing Coke, Cinders, and Patent Fuel).	e. Machinery and Mill Work.
	Million £.	Million £.	Million £.	Thousand £.	Thousand £.
1854 ... ..	97	89	93	2,127	1,931
1855 ... ..	96	85	91	2,446	2,243
1856 ... ..	116	104	110	2,827	2,716
1857 ... ..	122	110	115	3,210	3,884
1858 ... ..	117	106	110	3,046	3,599
1859 ... ..	130	119	123	3,270	3,732
1860 ... ..	136	125	129	3,372	3,838
1861 ... ..	125	113	117	3,605	4,214
1862 ... ..	124	112	116	3,751	4,092
1863 ... ..	147	134	139	3,714	4,368
1864 ... ..	160	148	151	4,166	4,848
1865 ... ..	166	153	156	4,427	5,223
1866 ... ..	189	174	179	5,103	4,759
1867 ... ..	181	167	171	5,392	4,969
1868 ... ..	180	165	170	5,353	4,729
1869 ... ..	190	175	180	5,166	5,119
1870 ... ..	200	182	189	5,638	5,293
1871 ... ..	223	201	211	6,246	5,966
1872 ... ..	256	233	238	10,442	8,201
1873 ... ..	255	229	232	13,189	10,020
1874 ... ..	240	214	218	11,984	9,791
1875 ... ..	223	201	205	9,658	9,059
1876 ... ..	201	179	185	8,905	7,210
1877 ... ..	199	178	184	7,844	6,723
1878 ... ..	193	173	178	7,330	7,498
1879 ... ..	192	170	177	7,207	7,279
1880 ... ..	223	198	205	8,373	9,264
1881 ... ..	234	209	215	8,786	9,960
1882 ... ..	241	215	220	9,564	11,446
1883 ... ..	240	213	216	10,646	13,022
1884 ... ..	233	206	209	10,851	12,717
1885 ... ..	213	188	192	10,633	10,715
1886 ... ..	213	188	193	9,837	9,702
1887 ... ..	222	196	201	10,170	10,623
1888 ... ..	235	206	211	11,345	12,494
1889 .. ...	249	218	219	14,782	14,672
1890 ... ..	264	228	228	19,020	16,411
1891 ... ..	247	213	213	18,895	15,070
1892 ... ..	227	195	197	16,811	13,069
1893 .. ...	218	189	191	14,376	13,200
1894 ... ..	216	184	185	17,372	13,435
1895 ... ..	226	195	196	15,434	14,236
1896 ... ..	240	209	209	15,156	16,059
1897 ... ..	234	200	202	16,655	15,181
1898 ... ..	233	198	198	18,136	17,306
1899 ... ..	255*	214	214	23,094	18,372
1900 ... ..	283*	225	224	38,620	19,620
1901 ... ..	271*	221	223	30,335	17,812
1902 ... ..	278*	228	231	27,581	18,755

\* Excluding the value of ships and boats (new) with their machinery, of which no record was kept prior to 1899.

The nearest million is given in each case. The importance of having this table at hand is that it gives the *whole* record for fifty years.<sup>†</sup> Protectionist arguments on the stagnation of exports are generally based on the selection of some particular years. A favourite device is to take 1872 and 1873, years in which, owing to the effects of the Franco-German war, and the development of American railways, there was both a great temporary increase in the volume of trade and a great inflation of prices.

### THE ALLEGED STAGNATION OF EXPORTS.

Several points should be noted in reference to the above table.

(1) British exports of commodities have shown a steady increase during each decennial period for the last forty years.

#### EXPORTS OF BRITISH AND IRISH PRODUCE.

1863-1872	...	...	...	...	£189,130,000
1873-1882	...	...	...	...	215,065,000
1883-1892	...	...	...	...	234,116,000
1893-1902	...	...	...	...	245,442,000

(2) Services rendered to foreigners, and for which the foreigners have to pay, must be reckoned amongst national exports. This is admitted by Mr. Balfour in the footnote to page 15 of his pamphlet. The exports of British services through shipping alone amount on the Board of Trade estimate to ninety millions a year. There are other exports of services through bankers and other business firms of which no account has been taken by the Board of Trade. If the export of commodities and the export of services be added together, British export trade, so far from stagnating, has more than kept pace with the growth of the people.

(3) The importance of export statistics is exaggerated as a test of national progress. The object of exports is to get imports, and our imports are increasing fast. But a slackening in the growth even of our imports might be a perfectly healthy symptom in a rich country. As our wealth increases we become able to spend a larger proportion of our income than formerly on education, house room, sanitation, and amusement; a smaller proportion of our income (though not a smaller sum absolutely) on the food which foreign imports supply. Just as a rich man spends a smaller proportion of his income (though a greater total sum) on food than is spent by a poor man, so a nation which has become rich spends a smaller proportion of its income on food than it did in the days when it was poor. Now the whole end of exporting is to be able to buy imports from the foreigner; so, as soon as a nation has obtained from foreign countries the commodities which it requires, it pays it better to invest surplus capital in providing things—such as houses and education, which must necessarily be made on the spot—than in increasing its exports.



The following figures of persons occupied in building, printing, and bookbinding, taken from the Censuses of 1881, 1891, and 1901 are important :—

	1881.	1891.	1901.
Building ... ..	686,000	701,000	945,000
Printing and Bookbinding...	88,000	101,000	121,000

If we wish, as we evidently do wish, to employ an increasing proportion of our population in housing us and providing us with books and newspapers, we cannot also employ them in making things for exchange in foreign trade.

(4) Protection is not a remedy for stagnation in exports. The effect of Protection is to limit imports, and, as has been already demonstrated, a decline in imports must entail a decline in exports, whether of commodities or services. Thus, if our export trade were suffering, protective tariffs would not remedy the disease, but increase it.

Next follows the table of our exports of manufactures for the first eight months of the present year, compared with the corresponding figures for the two preceding years :—

#### EIGHT MONTHS ENDING AUGUST, 1903.

(In thousands of £.)

	1901.	1902.	1903.
	£ (thousand)	£ (thousand)	£ (thousand)
Articles wholly or mainly manufactured :			
(a) Iron and steel and manufactures thereof... ..	16,726	18,437	20,597
(b) Other metals and manufactures thereof... ..	4,381	4,206	4,386
(c) Cutlery, hardware, implements and instruments ... ..	2,755	2,855	3,000
(d) Telegraph cables and apparatus ... ..	2,672	2,175	1,528
(e) Machinery ... ..	12,056	12,368	12,908
(f) Ships (new) ... ..	6,126	4,273	3,155
(g) Manufactures of wood and timber (including furniture) ... ..	659	844	972
(h) Yarns and textile fabrics :			
(1) Cotton ... ..	49,283	48,585	50,155
(2) Wool ... ..	14,952	15,821	17,302
(3) Other materials ... ..	7,812	7,939	8,277
(i) Apparel ... ..	4,494	4,739	5,354
(j) Chemicals, drugs, dyes and colours	7,395	7,800	8,187
(k) Leather and manufactures thereof (including boots and shoes and gloves)... ..	2,575	2,668	3,322
(l) Earthenware and glass ... ..	2,062	1,960	2,177
(m) Paper ... ..	1,152	1,092	1,182
(n) Miscellaneous ... ..	15,360	14,940	15,626
	£150,468	£150,710	£158,133

The only decreases are in cables, ships, and items which are exceedingly variable. Exports of all other categories have increased.

If this rate is maintained till the end of the year, our exports of manufactured goods for 1903 will amount to £237,199,500. This is the largest figure in the returns for any year, but the export of ships was not included before 1897. Deducting under this head the sum of £4,732,500, we get the figure £232,467,000 as an estimate for the value of our exports of manufactured goods in 1903. A glance at the table on p. 17 shows that this is the highest value recorded since 1872, and comes within £1,000,000 of the value recorded for that year. When we take into account the great fall in prices it will be seen that our exports of manufactures have increased roughly by 50 per cent. in the last thirty years.

Our total exports for the first eight months of 1903 were

£194,063,054,

or at the rate of

£291,094,581

for the twelve months, the highest recorded figure for any year.

#### BRITISH EXPORTS IN 1902.

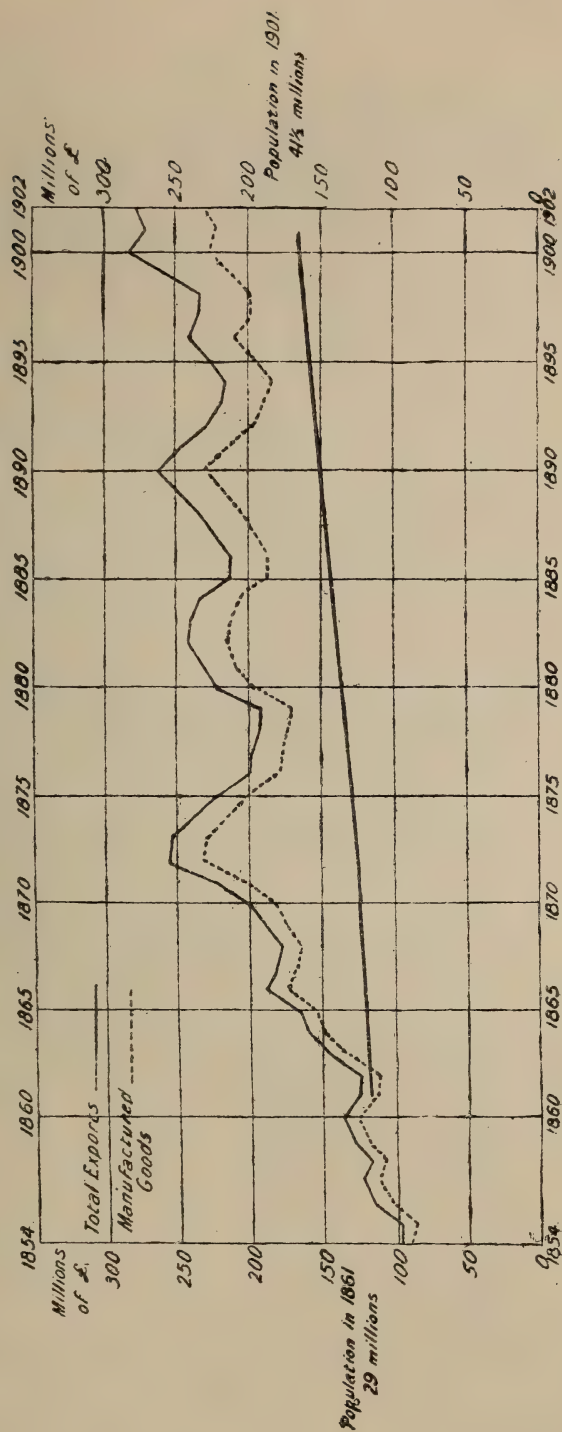
Our exports in 1902 were made up as follows :—

(Of British goods only. Values f.o.b.)

	£
Animals, living ... ..	824,361
Articles of food and drink ... ..	16,439,603
Raw materials—	
(a) Coal ... ..	27,581,176
(b) Others—chiefly wool ... ..	3,590,440
Articles manufactured and partly manufactured—	
(a) Yarns and textile fabrics ... ..	103,336,862
(b) Metals and articles manufactured therefrom, except machinery and ships ... ..	42,612,141
(c) Machinery and millwork ... ..	18,751,812
(d) Ships, new (not registered as British) ... ..	5,891,775
(e) Apparel and articles of personal use ... ..	12,150,371
(f) Chemicals, and chemical and medicinal pre- parations ... ..	9,586,728
(g) All other articles, either manufactured or partly manufactured ... ..	39,296,233
(h) Parcel post ... ..	3,478,478
	<hr/>
	£283,539,980

The following chart shows the growth of our total exports, and our exports of manufactures, in the form of a diagram :—

III. Chart shewing for the UNITED KINGDOM the Total Value of the EXPORTS of British produce and the Value of the Exports of Manufactured & partly Manufactured Goods for a series of years.





## THE PROTECTIONIST ANALYSIS OF EXPORT TRADE.

Protectionists, unable to deny that our exports are increasing, have fallen back on the device of "analysing," as they call it, our foreign trade into profitable and unprofitable branches. By this means they rule out the increase in our exports of coal, ships, and machinery. How far this is justifiable will now be considered.

Take first the case of coal.

The following objections are urged against regarding our export of coal as profitable :—

(a) That it is a raw material and employs less labour than manufactures.

(b) That it is irreplaceable national capital.

(c) That it helps the foreigner to compete.

Let us consider these three contentions.

(a) It is not true that the production of coal yields less employment than the production of manufactures. On the contrary, the direct labour cost in the production of coal is probably greater than in any manufacture. The following quotations from the Board of Trade Memorandum should be noted :—

"A careful consideration of such data as are available indicates that the average wages-cost of the products we export, taken as a whole, may be estimated at between 40 and 60 per cent. (say 50 per cent.) of their total value.

"For example, the wages-cost of *Coal* and *Iron Ore* is roughly 60 per cent. of their value. In recent years the wages-cost of coal has probably been even higher than the above."

(b) This is true of many other things. Iron and steel are irreplaceable capital, yet our Protectionists do not rejoice in the relative stationariness of our exports of metal goods, nor in the advance of German and American exports of the same.

No Protectionist objects to the use of coal at home, yet all the arguments from exhaustion of capital which are used by them against the sale of coal to foreigners apply equally to its sale to British consumers. Every ton of pig-iron produced means the consumption of two tons of "irreplaceable" coal—to say nothing of the consumption of "irreplaceable" iron.

(c) It is true of all exports, which in one form or another add to the efficiency of the purchasers that they help the foreigner to compete. Nothing is so important in this respect as food ; so that the services which we render to foreign countries under this head are fully counterbalanced by the services which they render to us.

Take next the case of ships and machinery. The last argument applies here. But it should be remarked that hardly any two

possible trades could be better for us to concentrate upon than those of machinery and shipbuilding. To be in front in these trades means being in front in manufactures and commerce. It is only to be hoped that we shall add to our manufacture of machinery the manufacture of electrical machinery, in which we are already making great strides.

On the whole question it may be remarked that no tariff yet suggested would check these classes of exports, except in so far as they checked other exports also.

Our export trade, therefore, is neither stagnant nor unhealthy. It merely changes its character as one thing becomes more and another less profitable to send abroad. Our manufacturers having absolute freedom, export trade tends always to follow the line of greatest profit. Further, a vast and growing proportion of our export trade takes the form of shipping, which is not included among the official returns giving the exports of goods. When the growth of our shipping is taken into account the growth of our export trade has fully kept pace with that of any nation in the world.

#### IV.—COMPARATIVE TABLES OF BRITISH, GERMAN, AND AMERICAN TRADE.

The Board of Trade Memoranda (*pp.* 5, 7, 9) give the total imports into the United Kingdom and the total imports for home consumption into the United States and Germany for every year since 1880, the earliest year given in the official returns for Germany :—

##### TOTAL IMPORTS FOR HOME CONSUMPTION.

Year.	United* Kingdom.		Germany.		United States of America.	
—	Million £.		Million £.		Million £.	
1880	...	411	...	141·0	...	136·7
1881	...	397	...	148·2	...	130·0
1882	...	413	...	156·5	...	147·4
1883	...	427	...	163·2	...	146·6
1884	...	390	...	163·0	...	135·9
1885	...	371	...	147·2	...	117·1
1886	...	350	...	144·4	...	129·6
1887	...	362	...	156·2	...	141·5
1888	...	388	...	164·5	...	148·3
1889	...	427	...	200·8	...	152·7

\* The figures for the United Kingdom include re-exports, which in 1902 amounted to £65 millions.

TOTAL IMPORTS FOR HOME CONSUMPTION— *Continued.*

Year.	United* Kingdom.		Germany.		United States of America.	
—	Million £.		Million £.		Million £.	
1890	...	421	...	208·1	...	161·8
1891	...	435	...	207·5	...	173·5
1892	...	424	...	200·9	...	169·3
1893	...	405	...	198·1	...	177·0
1894	...	408	...	196·9	...	131·7
1895	...	417	...	206·0	...	149·5
1896	...	442	...	215·4	...	158·4
1897	...	451	...	234·0	...	155·4
1898	...	471	...	254·0	...	123·9
1899	...	485	...	274·2	...	140·4
1900	...	523	...	288·3	...	172·1
1901	...	522	...	271·1	...	165·8
1902	...	528	...	—	...	—

Table II. gives the total exports of domestic produce from the United Kingdom, the United States, and Germany since 1880:—

## EXPORTS OF DOMESTIC PRODUCE.

Year.	United Kingdom.		Germany.		United States of America.	
—	Million £.		Million £.		Million £.	
1880	...	223	...	144·8	...	171·7
1881	...	234	...	148·9	...	184·2
1882	...	242	...	159·5	...	152·8
1883	...	240	...	163·6	...	167·5
1884	...	233	...	160·2	...	151·0
1885	...	213	...	143·0	...	151·4
1886	...	213	...	149·3	...	138·7
1887	...	222	...	156·8	...	146·5
1888	...	234	...	160·3	...	142·5
1889	...	249	...	158·3	...	152·1
1890	...	263	...	166·4	...	176·1
1891	...	247	...	158·8	...	181·7
1892	...	227	...	147·7	...	211·6
1893	...	218	...	154·6	...	173·1
1894	...	216	...	148·1	...	181·1
1895	...	226	...	165·9	...	165·3
1896	...	240	...	176·3	...	179·8
1897	...	234	...	181·8	...	215·0
1898	...	233	...	187·8	...	252·1
1899	...	255	...	210·4	...	250·8
1900	...	283	...	230·6	...	285·6
1901	...	271	...	221·6	...	304·3
1902	...	278	...	—	...	—

\* The figures for the United Kingdom include re-exports, which in 1902 amounted to £65 millions.



How large a proportion of the German and how very large a proportion of the United States exports consist of food and raw materials is shown by Table III., giving the exports of manufactured articles from each of the three countries in the same period.

#### EXPORTS OF MANUFACTURED ARTICLES.

Year.	United Kingdom.	Germany.	United States of America.
—	Million £.	Million £.	Million £.
1880	... 198'2	... 83'5	... 21'4
1881	... 209'1	... 87'6	... 23'8
1882	... 214'9	... 94'1	... 28'1
1883	... 213'3	... 98'1	... 28'0
1884	... 206'3	... 100'6	... 28'4
1885	... 188'1	... 90'0	... 30'7
1886	... 188'1	... 97'2	... 28'4
1887	... 196'2	... 102'4	... 28'5
1888	... 206'1	... 103'7	... 27'1
1889	... 218'3	... 104'9	... 28'9
1890	... 228'4	... 107'3	... 31'5
1891	... 213'4	... 102'4	... 35'2
1892	... 195'3	... 97'4	... 33'0
1893	... 188'9	... 99'9	... 32'9
1894	... 183'7	... 93'9	... 38'3
1895	... 195'0	... 109'0	... 38'2
1896	... 208'8	... 115'0	... 47'6
1897	... 199'9	... 115'2	... 57'8
1898	... 198'0	... 119'8	... 60'6
1899	... 213'8	... 135'6	... 70'7
1900	... 224'7	... 149'1	... 90'4
1901	... 221'0	... 144'6	... 85'6
1902	... 227'6	...	...

The following statement taken from the Board of Trade Memoranda should be noted in the use of Table III. :—

“The meaning of the term ‘manufactured’ necessarily depends in the case of each country on the definitions used in its official trade accounts, and these definitions are not quite uniform.

“In the case of the United Kingdom the description ordinarily employed before the present year has been ‘manufactured and partly manufactured.’ In the case of the other countries the term used is ‘manufactured.’ But an examination of the lists of articles included under these designations in the different countries shows that substantially the terms may be regarded as equivalent. Thus, for example, such articles as yarns, etc., which are rightly described as ‘partly manufactured,’ are included under the heading ‘manufactured’ in [the two] foreign countries with which we are concerned. There is not, indeed, complete uniformity, *e.g.*, pig-iron is treated as ‘manufactured’ in the United States and the United

Kingdom ; while in Germany [and France] it is excluded from this category. But in neither of the last two countries is pig-iron a sufficiently important article of export to affect the comparison to a material extent.

“ It may, however, be pointed out that the category ‘ manufactured articles ’ is in some respects unsatisfactory and even misleading. In the case of all the countries in question it excludes food and drink, but while raw agricultural products, such as grain, etc., are rightly omitted, the same can hardly be said of jam, confectionery, biscuits, spirits, and beer, which form a large proportion of our own food exports. For the purposes of the following tables, however, the general custom has been followed in this matter.

“ It is also necessary to remember, in comparing the United Kingdom imports and exports of ‘ manufactured and partly manufactured ’ goods that the category includes articles in very different stages of production. For example, wood manufactures include cabinet work, ready-made joinery, and even sawn timber. Generally speaking, the proportion of semi-finished articles which are the materials of further manufacture is higher among our imports than among our exports of these classes of commodities.

“ Lastly, it should be observed that the values of imports into the United Kingdom, Germany, [and France] include freight, whereas in the United States they are exclusive of freight.”

---

## V.—TRADE WITH FOREIGN COUNTRIES AND BRITISH POSSESSIONS.

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The following tables show the preponderating importance of the foreign part of our commerce. Not only do we derive the greater part of our indispensable imports from foreign lands, but our export trade is transacted chiefly with places outside the Empire. It will be seen that our total trade in goods in 1902 was valued at £877,000,000, of which £653,000,000 was transacted with foreign countries and £224,000,000 with British possessions. Let us clearly realise, therefore, that in attempting by artificial means to divert trade from foreign to colonial channels we should be dislocating three-fourths of our commerce for the sake of the remaining fourth :—

### (1).—SUMMARY.

#### BRITISH OVER-SEA TRADE IN 1902.

<i>Imports.</i>			
From foreign countries	...	...	£421,598,241
From British possessions	...	...	106,793,033
			£528,391,274

*Exports of British Goods.*

To foreign countries	...	...	...	£174,395,355
To British possessions	...	...	...	109,028,611

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£283,423,966

*Exports of Goods Previously Imported.*

To foreign countries	...	...	...	£57,331,942
To British possessions	...	...	...	8,482,871

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£65,814,813

*Total Exports.*

To foreign countries	...	...	...	£231,727,297
To British possessions	...	..	...	117,511,482

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£349,238,779

*Total Trade (Imports and Exports together).*

With foreign countries	...	...	...	£653,325,538
With British possessions	...	...	...	224,304,515

---

£877,630,053

## (2).—DETAILS.

One of the questions which Mr. Chamberlain asked at the Constitutional Club was :—

“Is it a fact that the exports of our manufactured goods to our own Colonies already exceed the total exports of our manufactured goods to all the Protected States in Europe and the United States of America ?”

The following figures sufficiently dispose of Mr. Chamberlain's question :—

## EXPORTS OF MANUFACTURED GOODS ONLY IN THE YEAR 1902.

To Germany	...	...	...	...	...	£17,000,000
To France	...	...	...	...	...	10,500,000
To Russia	...	...	...	...	...	6,500,000
To Belgium	...	...	...	...	...	7,400,000
To United States, America	...	...	...	...	...	20,800,000

---

£62,200,000

To these five foreign countries alone, therefore, we send £62,000,000 worth of *manufactured goods*.

Now, the total value of *all kinds of British goods* (not manufactures only) sent in 1902 to all our self-governing Colonies, Canada, Newfoundland, Australia, New Zealand, British Africa, was only £60,364,000. This, in spite of the abnormal exports to South Africa through the war !

Mr. Chamberlain's question is, therefore, answered by two figures :—

Value of exports of manufactures to five foreign countries in 1902	...	...	...	...	...	£62,200,000
Value of <i>all goods</i> (manufactured and otherwise) sent to all self-governing Colonies in 1902	...	...	...	...	...	60,364,000



It is a common saying that "Trade follows the flag." If this means that our trade with the Colonies tends to grow faster than our trade with foreign countries, this is not true, as the following tables show:—

**BRITISH IMPORTS FROM FOREIGN COUNTRIES AND BRITISH POSSESSIONS.**

Annual Averages.	From Foreign Countries.		From British Possessions.		Total.
	Million £.	Per Cent.	Million £.	Per Cent.	Million £.
1855-59 ...	129	76·5	40	23·5	169
1860-64 ...	167	71·2	68	28·8	235
1865-69 ...	218	76·0	68	24·0	286
1870-74 ...	270	78·0	76	22·0	346
1875-79 ...	292	77·9	83	22·1	375
1880-84 ...	312	76·5	96	23·5	408
1885-89 ...	293	77·1	87	22·9	380
1890-94 ...	323	77·1	96	22·9	419
1895-99 ...	355	78·3	98	21·7	453
1900 ...	414	79·1	109	20·9	523
1901 ...	416	79·7	106	20·3	522
1902 ...	421	79·7	107	20·2	528

Our Colonies do not supply us with a greater, but with a slightly smaller proportion of our requirements than formerly. The remarkable point is that the ratio remains nearly the same in spite of the growth of our Empire.

The proportion of exports to the Colonies to our total exports is also very nearly constant.

**BRITISH EXPORTS (HOME PRODUCE ONLY) TO FOREIGN COUNTRIES AND BRITISH POSSESSIONS.**

Annual Averages.	To Foreign Countries.		To British Possessions.		Total.
	Million £.	Per Cent. of total.	Million £.	Per cent. of total.	Million £.
1855-59 ...	80	68·5	36	31·5	116
1860-64 ...	92	66·8	46	33·2	138
1865-69 ...	131	72·4	50	27·6	181
1870-74 ...	175	74·4	60	25·6	235
1875-79 ...	135	67·0	67	33·0	202
1880-84 ...	153	65·5	81	34·5	234
1885-89 ...	147	65·0	79	35·0	226
1890-94 ...	156	66·5	78	33·5	234
1895-99 ...	158	66·1	81	33·9	239
1900 ...	197	67·7	94	32·3	291
1901 ...	176	62·9	104	37·1	280
1902 ...	174	61·5	109	38·5	283

It is only in the last two years that the ratio has increased, and it will be found on examination that this increase is due partly to

the abnormal exports to South Africa to make good the ravages of war, and partly to the decline in exports to foreign countries, owing to the diversion of our energies by the war. Even so, the percentage 38·5 in 1902 is but 3·5 higher than the average of 1885-89.

Mr. D. A. Thomas, M.P., in a letter to the *Standard*, has given some figures showing the value of the total exports of the produce and manufactures of the United Kingdom to European countries, to the United States, and to British possessions in millions sterling, as follows :—

#### TOTAL EXPORTS.

Quinquennial Periods.	1886 to 1890.	1896 to 1900.	Increase or Decrease.	Percentage of Increase or Decrease.
To Europe ... ..	78·0	97·8	+ 19·8	+ 25·4
To United States ...	28·5	18·3	— 10·2	— 36·0
To other Foreign Countries ... ..	48·6	47·2	— 1·4	— 2·9
To British Possessions...	81·2	85·8	+ 4·6	+ 5·7
Total ... ..	236·3	249·1	+ 12·8	+ 5·4

It will be seen that our average exports to Europe during the period covered increased by nearly 20 millions, or over 25 per cent., while those to our colonies increased by less than 5 millions, or short of 6 per cent.

For the benefit of those who regard coal not as export, but as an “exhaustible product of the earth which cannot be replaced by labour,” we give Mr. Thomas’s second table, which excludes coal :—

#### EXPORTS EXCLUDING COAL.

Quinquennial Periods.	1886 to 1890.	1896 to 1900.	Increase or Decrease.	Percentage of Increase or Decrease.
To Europe ... ..	69·6	81·6	+ 12·0	+ 17·2
To United States ...	28·5	18·3	— 10·2	— 35·9
To other Foreign Countries ... ..	45·8	42·8	— 3·0	— 6·5
To British Possessions...	79·4	84·1	+ 4·7	+ 5·9
Total ... ..	223·3	226·8	+ 3·5	+ 1·5

The exclusion of coal, it will be observed, does not help Mr. Chamberlain, for exports to Europe increased by 17 per cent., while the increase to our colonies was only 6 per cent.

Of our trade with British possessions more than two-fifths is done with India and Crown Colonies, with which we already have Free Trade.

## BRITISH TRADE WITH BRITISH POSSESSIONS IN 1902.

British Possessions.	Imports from (c.i.f.)	British Exports to (f.o.b.)	Exports of Goods pre- viously Im- ported to (f.o.b.) %	Total.
<b>Self-governing Colonies—</b>	£	£	£	£
Canada ... ..	22,964,537	10,345,256	1,650,621	34,960,414
Newfoundland ...	643,367	375,069	70,100	1,088,536
Cape of Good Hope	5,123,609	16,737,847	1,420,343	23,281,799
Natal ... ..	530,138	7,698,892	585,799	8,814,829
Australia ... ..	19,734,017	19,530,118	1,999,288	41,263,423
New Zealand ...	10,883,648	5,677,576	481,309	17,042,533
	£59,879,316	£60,364,758	£6,207,460	£126,451,534
<b>Other Possessions—</b>				
India ... ..	28,724,006	32,681,979	809,056	62,215,041
Straits Settlements	6,052,730	2,744,555	59,961	8,857,246
Ceylon ... ..	4,386,926	1,446,382	63,488	5,896,796
West Indies ...	2,149,223	2,009,101	225,006	4,383,330
Hong Kong* ...	610,398	2,136,202	138,015	2,884,615
Gold Coast ...	208,387	1,029,236	145,054	1,472,677
Lagos ... ..	380,866	574,263	37,468	992,597
Niger ... ..	1,164,303	690,720	138,784	1,993,807
Sierra Leone ...	129,426	349,402	25,242	504,070
Channel Islands† ...	1,403,519	1,002,762	222,853	2,629,134
Gibraltar ... ..	32,740	788,234	75,118	896,092
British Guiana ...	540,481	619,214	70,807	1,230,502
Malta ... ..	56,243	1,195,830	130,527	1,382,600
Mauritius ... ..	243,274	398,847	37,505	679,626
Other Places ...	741,195	997,126	96,527	1,934,848
	£106,793,033	£109,028,611	£8,482,871	£224,304,515

Let us next consider the possible margin of gain in Colonial trade. Supposing that by a preference scheme we obtained an advantage over foreign competitors in Colonial markets, what is the utmost that we could reasonably hope to gain in the way of trade?

At present the self-governing colonies import as follows:—

Name.	From United Kingdom.	From British possessions.	From foreign countries.	Total trade.
	£	£	£	£
Australia ... ..	25,069,000	3,997,000	12,436,000	41,502,000
New Zealand ... ..	6,878,000	2,457,000	2,018,000	11,353,000
Natal ... ..	6,523,000	1,479,000	1,554,000	9,556,000
Cape of Good Hope...	13,803,000	3,246,000	4,367,000	21,416,000
Canada ... ..	8,832,000	761,000	28,821,000	38,414,000
Newfoundland...	458,000	582,000	473,000	1,513,000
Total ... ..	£61,563,000	£12,522,000	£49,669,000	£123,754,000

\* This is really foreign trade with China.

† Few people are aware that £2,629,000 of what is commonly called "Imperial" trade is done with the Channel Islands.

Of their total import trade of £123,754,000, therefore, all but £49,000,000 is already carried on within the Empire. Of this sum Canada, who already gives us a preference, accounts for £28,000,000.

An analysis of Canadian imports shows that the greater part of its foreign imports are either such as we do not supply, or such as the United States can supply so much more cheaply that we have no chance of competing. Such are :—

	Dollars.		Dollars.
Books and Papers ...	1,300,000	Oils ... ..	2,000,000
Breadstuffs ... ..	11,000,000	Provisions ... ..	2,500,000
Coal ... ..	14,000,000	Settlers' Effects ...	3,800,000
Coffee ... ..	130,000	Seeds and Roots ...	2,230,000
Cotton ... ..	6,000,000	Spirits and Wines ...	860,000
Chemicals, Dyes, &c. ...	2,700,000	Sugar ... ..	6,200,000
Fish and Fruit ... ..	3,500,000	Tobacco ... ..	2,100,000
Furs ... ..	2,100,000	Vegetables ... ..	370,000
Gutta-percha and India-rubber ... ..	1,600,000	Wood ... ..	5,700,000
Hides and Skins ... ..	2,600,000	Wool ... ..	3,050,000
Metals and Minerals ...	10,200,000	Miscellaneous Goods we cannot supply ... ..	5,000,000
Paintings and Drawings	500,000		
			89,440,000

A similar analysis of other Colonial imports yields the following table :—

#### IMPORTS OF THE SELF-GOVERNING COLONIES.

Colony.	Total Imports.	Goods imported from foreign countries.	Liberal estimate of goods imported from foreign countries <i>which we might supply.</i>
	£	£	£
Australia ... ..	41,502,000	12,436,000	9,000,000
New Zealand ... ..	11,353,000	2,018,000	1,500,000
Natal ... ..	9,556,000	1,554,000	750,000
Cape of Good Hope	21,416,000	4,367,000	2,000,000
Canada ... ..	38,414,000	28,821,000	10,000,000
Newfoundland ... ..	1,513,000	473,000	200,000
	£123,754,000	£49,669,000	£23,450,000

The total margin of gain for which we may reasonably hope from a Colonial preference scheme thus narrows itself down to an insignificant proportion of our total trade.

One argument used by Protectionists is that the colonists purchase from us more per head than the foreigner. Thus we have seen an article on Imperial reciprocity headed with the following :—

	1902.	Per head.
11,000,000 British colonists purchased	£66,000,000	£6 0 0
British goods ... ..	...	
77,000,000 Americans purchased only	£23,000,000	0 6 0
British goods ... ..	...	
		(nearly)



From these figures the deduction drawn was that every man who leaves these shores to go to Canada adds £6 to our export trade, while an emigrant to the United States is worth only 6s. per annum. The British colonial figures, it will be observed, take no account of the black population of South Africa. The absurdity of the whole idea is brought out by a simple parody :—

1902.				Per head.
60,000	Dutch colonists in Java purchased			£33 0 0
£2,030,000	British goods	... ..	... }	(nearly)

So that, if we only send our emigrants to Java, we shall gain additional export trade at the rate of £33 per head !

There is another way of applying this “per head” fallacy. Alarmist pictures are drawn of the growth of American exports to this country, particularly of iron and steel. Let us see how this works out “per head.”

1902.				Per head.
American Invasion.				
77,000,000	Americans sent us	£127,000,000 of		£1 13 0
	goods	... ..	... }	
5,500,000	Canadians sent us	£23,000,000 of goods		4 3 0

Those who dread imports are invited to study this table.

## VI.—IMPORTS.

### MANUFACTURED ARTICLES.

In the Board of Trade Return for 1902 the imports of manufactured articles are given as £99,050,648.

It is suggested that all these could be taxed without injury to industry. On this observe, first, that the list of manufactured articles includes many that are used in further industrial processes, either as materials or as instruments or plant. Such are the following\* :—

	£
Cement ... ..	392,567
Glass, sheet and plate and bottles ... ..	2,079,708
Glue, size and gelatine ... ..	478,652
Iron girders, joists, &c. ... ..	820,517
Nails, screws, and rivets ... ..	538,217
Steel rails... ..	332,872
Tyres and Axles ... ..	35,248
Jute, manufactures of ... ..	1,995,464
Leather ... ..	8,095,637
Linen yarn ... ..	968,332
Machinery, including steam engines ... ..	4,761,108
Mouldings for picture frames ... ..	231,910

\* This list is taken out of the list of Principal Articles given by the Board of Trade, which includes only £81,707,010 out of £99,050,648. The same remark applies to the amount of re-exports given below.

	£
Painters' colours...	1,273,464
Plaiting of straw	746,636
Paper, unprinted	3,039,615
Strawboard and wood-pulp	952,545
Scientific instruments	949,254
House frames and other woodware	2,465,674
Woollen yarn	2,258,772
Zinc manufacture	489,554

£32,905,746

Thus of the £99,050,648 reckoned as the value of manufactured imports, £32,905,746 consist of partly manufactured materials, and of appliances used in industry. To tax any part of these would be to impose a burden on industry just as much as to tax raw materials.

There remain manufactured imports to the value of	£66,144,902
From these deduct re-exported goods	2,683,587

And there remain retained for Home consumption	£63,461,315
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Of this amount a large proportion consists of articles of common domestic use, such as baskets, brooms, china-ware, clocks, cotton manufactures, glass manufactures, hats and bonnets, boots and shoes, gloves, soap, and woollen goods, to tax any of which would add to the cost of living for the ordinary family.

A more detailed analysis than that of the Board of Trade gives the following classification of our imports :—

#### TOTAL IMPORTS INTO THE UNITED KINGDOM IN 1902.

Distinguishing Foreign from Colonial supplies, and showing re-exports and the values retained for home consumption.

Classification.	From foreign countries.	From British possessions.	Total.	Re-exports of goods previously imported.	Retained for home consumption.
	£	£	£	£	£
Food .. .. .	172,574,420	43,159,970	215,734,390	8,888,660	206,845,730
Liquor .. .. .	6,956,000	619,810	7,575,810	828,410	6,747,400
Raw Materials .. .. .	112,871,700	46,656,200	159,527,900	35,748,630	123,779,270
Crudely-manufactured Materials .. .. .	22,628,160	9,791,330	32,419,490	7,348,000	25,071,490
Wholly-manufactured Materials and Plant .. .. .	38,027,800	5,504,920	43,532,720	5,880,450	37,652,270
Domestic Appliances and Personal Necessaries .. .. .	27,308,500	222,460	27,530,960	2,409,000	25,121,960
Luxuries .. .. .	28,505,500	104,960	28,610,460	3,414,000	25,196,460
Miscellaneous .. .. .	12,722,500	736,760	13,459,260	1,275,100	12,184,160
	£421,594,580	£106,796,410	£528,390,990	£65,792,250	£462,598,740

In the above table the various classes of imports which we have considered in detail are summarised. It will be seen that the

value retained for home consumption in 1902 amounted to £462,598,740. The proportions of the respective groups of articles to the whole are as follows :—

	Per cent. of Total.
Food and fodder ... ..	44·8
Liquor ... ..	1·5
Materials for use in industry :—	
(a) Raw ... ..	26·9
(b) Crude... ..	5·4
(c) Manufactured ... ..	8·0
Domestic appliances and personal necessities ... ..	5·4
Luxuries ... ..	5·4
Miscellaneous ... ..	2·6
	<hr/>
	100·0

#### NOTE ON RE-EXPORTS.

In tables of trade with foreign countries the imports given are the total imports, whereas the exports given are those of British produce only. Take the case of Germany. Our imports from Germany in 1902 were valued at 33 millions. British exports to Germany were 22 millions. But there were further exports from the United Kingdom to Germany of goods previously imported, valued at 10 millions. That is to say, we shipped foreign goods to Germany to that amount. Now there is no record of the German goods which we transhipped for foreign account, but, assuming that the transhipment was the same both ways, 10 of the 33 millions of imports from Germany were not for our consumption but for foreign use. In that case we imported from Germany for our own use £23 millions; we exported to Germany £22 millions of British produce, and did a transhipment trade for Germany of 10 millions each way. This gives a more just conception of the value of our trade with Germany than the bare official returns.

The following statement gives the British trade with foreign nations in 1902, showing the re-exports of goods previously imported :—

## BRITISH TRADE WITH FOREIGN NATIONS IN 1902.

Country.	Imports from (c.i.f.)	British Exports to (f.o.b.)	Exports of Goods Previ- ously Imported to (f.o.b.)	Total.
	£	£	£	£
U.S.A. ... ..	126,961,601	23,760,913	19,320,160	170,042,674
France ... ..	50,642,928	15,587,300	6,688,421	72,918,649
Germany ... ..	33,633,956	22,850,295	10,244,270	66,728,521
Holland ... ..	34,842,528	8,445,915	4,625,116	47,913,659
Belgium ... ..	26,538,759	8,409,659	4,210,092	39,158,510
Russia ... ..	25,673,958	8,635,393	5,257,289	39,566,740
Argentina ... ..	14,022,249	5,871,096	251,003	20,144,348
Spain ... ..	14,285,856	4,785,214	580,959	19,652,029
Egypt ... ..	13,764,567	6,161,627	107,070	20,033,264
Denmark ... ..	15,556,780	3,621,866	412,031	19,590,677
Sweden ... ..	9,567,844	4,275,033	765,775	14,608,652
Italy ... ..	3,582,246	7,409,984	683,765	11,675,995
Japan ... ..	1,898,919	5,065,526	211,115	7,175,560
Brazil ... ..	6,207,879	5,389,956	259,996	11,857,031
China ... ..	2,407,207	7,142,021	46,789	9,596,017
Norway ... ..	5,408,650	2,919,492	417,240	8,745,382
Chili ... ..	4,524,376	2,839,254	223,512	7,587,142
Austria ... ..	1,339,758	1,922,997	588,489	3,851,244
Turkey ... ..	6,238,551	6,113,740	290,123	12,642,414
Roumania ... ..	7,692,146	1,224,356	128,043	9,044,545
Portugal ... ..	3,411,173	1,840,636	417,541	5,669,350
Greece ... ..	1,649,648	1,716,317	69,427	3,435,392
Philippine and Ladrone Islands...	2,251,289	813,620	40,872	3,15,7816
Mexico ... ..	305,206	2,170,945	172,944	2,69,0959
Other Countries ...	9,190,167	15,422,200	1,319,700	25,732,040
	£421,598,241	£174,395,355	£57,331,942	£653,325,538

## VII.—THE EFFECT OF FOREIGN TARIFFS.

In order to estimate the effect of Protective Tariffs on British trade, the Board of Trade

“select a list of the principal protected countries and colonies, which, if not quite complete for all years of the period, is at least typical of the protected markets of the world, and adhere to this list throughout, grouping all the rest of the world under the title ‘all other countries or colonies.’ The latter group includes all the neutral markets of the world, together with some of minor importance in which the tariffs have had a certain protective element, at least during a part of the period considered.”

The term “neutral markets” appears in this relation to mean countries in which domestic competition is not a serious factor, while no single Power has a special advantage over others. The phrase is open to some objection, since, in the absence of any special discrimination, all protected countries are “neutral” as between two foreigners. Thus, though Germany is a protected country, it is a neutral market as between the United States and Great Britain.



The official Memorandum gives the following

“selected list of ‘Principal Protected Foreign Countries’ :—

Russia.	Spain.
Germany.	Portugal.
France.	Italy.
[Belgium.]	Austria-Hungary.
[Holland.]	United States.

“The only countries in this list which require explanation are Holland and Belgium. Holland is hardly to be described as a protectionist country, and the Belgian tariff is less protective than those of most Continental countries. It is, however, necessary to include both countries in the list, because a large part of the trade recorded in our official returns as between the United Kingdom and Holland and Belgium, is in reality trade with Germany which passes through Rotterdam and Antwerp, so that it would be misleading to place Holland or Belgium in a different list from Germany.

“The only British Colonies which it has seemed proper to consider as ‘protected’ over the period throughout which the statistics extend, are Canada and Victoria. India is shown separately, and the remainder are grouped under the head of ‘all other Colonies and Possessions.’

“During the period under review, the British Empire, including protectorates, has been extended by the addition of large parts of India, Burmah, Baluchistan, the Federated Malay States, British North Borneo, Nigeria, British Central and East Africa, large parts of South Africa, Cyprus, and a large number of minor territories. In the earlier years of the period, trade with these parts of the world, so far as separately recorded, was included under trade with Foreign Countries; during the later years it is included under trade with British possessions. Hence, apart from any actual development of our trade within British possessions, there has been an increase arising from the transfer of countries from one category to another.” (P. 13.)

Tables are given in the Memorandum showing our exports to different groups for the years 1850, 1860, 1870, 1880, 1890, 1900, 1902. The first and most important table is summarised thus :—

	Principal Protected Countries and Colonies.	All other Countries and Colonies.	Total to all Countries and Colonies.
—	Per Cent.	Per Cent.	Per Cent.
A.—Exports of all “Articles of British Produce.			
1850	56	44	100
1860	51	49	100
1870	53	47	100
1880	49	51	100
1890	46	54	100
1900	45	55	100
1902	42	58	100
B.—Exports of Manufactured and Partly Manufactured Articles.			
1850	57	43	100
1860	50	50	100
1870	50	50	100
1880	47	53	100
1890	44	56	100
1900	42	58	100
1902	38	62	100

From these figures Protectionists draw the ready inference that foreign tariffs are crippling our export trade, and that the remedy is Retaliation.

No Free Trader doubts the injurious effects of foreign tariffs, or needs to be taught that they diminish exports into the protecting country. The only question is as to the extent of the mischief, and, above all, as to the remedy.

Before considering the remedy let us be quite sure about the diagnosis. First, let us be on our guard against the "fallacy of percentages." The absolute increase in our exports to the protected group has been enormous, and itself disposes of the fear that we are being effectually shut out. But beyond this the export figures are not an adequate measure of our total trade. The figures show, it is true, how much the principal protected countries and colonies buy from us directly; they do not show what is the real volume of trade between us and them. It is too often forgotten that tariffs which check or prohibit the direct exchange of goods between two countries do not necessarily make trade between them impossible. On the contrary, in most cases their effect is not to stop trade but to send it round another way. Thus Protectionist countries which refuse to buy from us, but yet wish to sell to us may take their payment *via* countries whose policy is more liberal. For instance, a considerable part of our imports from the United States is paid by our discharging debts for that country in South America and the East. Further, the above table takes no note of imports. A study of our imports from the protected group yields the following results:—

#### IMPORTS FROM PROTECTED COUNTRIES.

Quinquennial average.						Percentage of Total Imports.
1855-9	...	...	...	...	...	50.0
1895-9	...	...	...	...	...	62.3

What does this rising proportion of imports and falling proportion of exports mean?

(1) It means that the proportion of total trade is very nearly constant and has therefore been much less checked by tariffs than appears at first sight.

(2) Secondly, it means that our imports are being paid for partly by "roundabout trade" and partly, as is especially the case with the United States, by our shipping.

(3) Thirdly, it probably indicates a change in the investment of our capital, more of which is going to the Unprotected group—a process which swells our exports to them for the present and must swell our imports from them in the future.

Now, the moral of this is plain. Part of our sales in the so-called "neutral markets" are directly due to our purchases from protected countries. If we check these purchases there will

be fewer "bills on London" offered by Protectionist countries to the dwellers in neutral markets from whom they wish to buy. In other words, the check to our imports in one direction will harass our exports to another. Nor will this direct effect be the end of the matter. If we exclude the manufacturers of the United States and Germany from our own market they will compete with us more actively in South America and the East. The balance of our exports as between Protected and neutral markets may be partly redressed, but at cost of diminishing our total export trade. By Retaliation we can diminish our imports and so get less of what we need, but only at the expense of diminishing our exports and so being able to sell less of what we have to offer.

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### VIII.—RETALIATION.

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The first point to be considered with regard to retaliation is whether the duty proposed as a means of negotiation is in itself a good or a bad thing. Protectionists regard the duty as good in itself, and, therefore, the retaliatory argument is not necessary to support their case. It is used, however, whenever they have not the courage of their convictions. If the retaliatory duty be considered as bad in itself, but as useful in giving us "greater freedom to negotiate in order that freedom of exchange may be increased," then we have to consider whether retaliation is likely to be effective. It is a mistake to suppose that retaliation and negotiation are new remedies. At the time when we began to reform our Protectionist tariff our Government made many attempts to negotiate concessions from foreign countries in return for reductions of our own duties. The following quotations from speeches of Sir Robert Peel should be noted as evidence of the ill success of this policy of negotiation:—

"I fairly avow to you that in making this great reduction upon the import of articles, the produce and manufacture of foreign countries, I have no guarantee to give you that other countries will immediately follow our example. I give you that advantage in the argument. Wearied with our long and unavailing efforts to enter into satisfactory commercial treaties with other nations, we have resolved at length to consult our own interests, and not to punish those other countries for the wrong they do us in continuing their high duties upon the importation of our products and manufactures, by continuing high duties ourselves, encouraging unlawful trade. We have had no communication with any foreign government upon the subject of these reductions. We cannot promise that France will immediately make a corresponding reduction in her tariff. I cannot promise that Russia will prove her gratitude to us for our reduction of duty on her tallow by any diminution of her duties. You may therefore say, in opposition to the present plan, what is this superfluous liberality, that you are going to do away with all these duties, and yet you expect nothing in return?' I may, perhaps, be told that many foreign countries, since the former relaxation of duties on our part—and

that would be perfectly consistent with the fact—foreign countries which have benefited by our relaxation have not followed our example, nay, have not only not followed our example, but have actually applied to the importation of British goods higher rates of duties than formerly. I quite admit it. I give you all the benefit of that argument. I rely upon that fact as conclusive proof of the policy of the course we are pursuing. It is a fact that other countries have not followed our example, and have levied higher duties in some cases upon our goods. But what has been the result upon the amount of your exports? You have defied the regulations of those countries. Your export trade is greatly increased."

*House of Commons, January 27th, 1846.*

" . . . I maintain that the best way to compete with hostile tariffs is to encourage free imports. So far from thinking the principle of Protection a salutary principle, I maintain that the more widely you extend it the greater the injury you will inflict on the national wealth and the more you will cripple the national industry."

*House of Commons, July 5th, 1849.*

At the time, then, when we had duties on a great many manufactured articles, we could not persuade foreign nations to give up their tariffs as a set-off for the relinquishment of ours. Such concessions as were obtained in the sixties were due to the fact that foreign Governments were not then highly Protectionist. Moreover, treaties of commerce had not then to be submitted to the Chambers in France and Germany, as they be must now. Protests were made in the French Chamber against the Cobden Treaty of 1860, which were unavailing against the Free Trade tendencies of the French Government at that time. If and whenever foreign countries shall again be anxious to reduce their tariffs, it will be as easy for us to conclude treaties with them as it was in the 'sixties. But the British experience in the 'sixties is not as reliable a guide as the present relations of foreign nations amongst themselves. The history of commercial negotiation between 1870 and 1902 is very different from its history between 1860 and 1870. The later period has witnessed a general reaction towards Protection. Almost every European nation has now got the "means of negotiation" which Mr. Balfour desires for this country. That is to say, they have some protective duties which they could increase or diminish as an inducement to other nations to give them better treatment. We must look to see how far the possession of these means of negotiation has helped foreign nations to get better terms for themselves from their neighbours. There have been three tariff wars in recent years: that between

France and Italy	...	...	...	1888-98
Germany and Russia	...	...	...	1892-4
France and Switzerland	...	...	...	1892-5



The following figures show the trade between France and Italy before, after, and during the tariff war :—

French Imports from Italy.				French Exports to Italy.	
'000,000 francs.				'000,000 francs.	
1885	...	...	262		177
1886	...	...	309		192
1887	...	...	307		192
1888	...	...	181	Tariff War.	119
1889	...	...	133		143
1890	...	...	121		149
1891	...	...	123		125
1892	...	...	132		132
1893	...	...	151		128
1894	...	...	121		98
1895	...	...	114		134
1896	...	...	126		115
1897	...	...	131		150
1898	...	...	137		143
1899	...	...	158		191

The Italian war began in consequence of Italy's introduction of a new and increased tariff. It ended in neither side gaining any considerable concessions, but as will be seen from the actual figures of trade, both suffered seriously during the war. And observe this—that after this ten years' struggle, whatever concessions were obtained on either side, the United Kingdom received the same concessions from both parties under the conditions of the "most-favoured-nation" treatment without having sacrificed a single shilling in the tariff war.

The Russo-German war was provoked by the high Russian tariff of 1891. Germany refused reductions on the cereals granted in the Caprivi Treaties to Austria and to the U.S.A. The German discrimination against Russia began in 1892, and that of Russia against Germany in 1893. The war ended in 1894.

The following are the figures of the special trade between the two countries from 1890-96 :—

Special Trade in '000,000 marks.					
German Imports from Russia.				German Exports to Russia.	
1890	...	...	522		183
1891	...	...	578		145
1892	...	...	381	Tariff War.	129
1893	...	...	352		135
1894	...	...	439		170
1895	...	...	567		207
1896	...	...	628		231

The after effects of retaliation have to be noted. Supposing it to be successful, if, *e.g.*, we force Germany to reduce duties on manufactures considerably, German manufacturers would feel our competition and complain. When the time came round for the reconstruction of the German tariff there would be a strong demand for an enormously high tariff from which to make concessions. The new general tariffs of Russia and Germany are a

complete illustration of this statement. The new German general tariff contains minimum duties on corn, higher than the duties granted to Russia at the close of the tariff war in 1894, and maximum duties much higher. The new general Russian tariff contains a number of duties higher on the Western land front than on the sea front, thus in effect discriminating against Germany and in favour of the United Kingdom.

The effects of the Franco-Swiss tariff war appear from the figures of trade between the two countries :—

French Imports from Switzerland.			French Exports to Switzerland.	
'000,000 francs.			'000,000 francs.	
1890	...	104	242	
1891	...	103	234	
1892	...	91	227	
1893	...	74	172	
1894	...	66	129	
1895	...	67	113	
1896	...	75	179	
1897	...	78	190	
1898	...	80	202	
1899	...	92	215	

Tariff War.

At the conclusion of the war the Swiss obtained certain small concessions from France, concessions, however, which the United Kingdom shares ; *thus without a retaliation we get every advantage which any nation may secure by means of a long and costly tariff war.* Protectionist countries which fight the war appear to get small concessions as a result of the treaty of peace, but experience shows that, as the time of the treaty expires, it generally happens that both sides raise their tariffs considerably in order to have something to give away, and yet retain more protection. The nature of the concessions which were obtained by Germany, for instance, from Russia as the result of the war, may be seen from the following passage from the German historian, Karl Ballod, in "Die Deutsch-Russischen Handelsbeziehungen" :—

"The duty on iron still amounts to *circa* 100 per cent. *ad valorem*, the duty on yarns to *circa* 50 to 60 per cent., on stuffs to as much as 120 to 150 per cent., on paper for printing to *circa* 200 per cent., on materials of dye *circa* 50 to 200 per cent. ; only on machinery and iron goods do the duties sink to *circa* 30 to 40 per cent."

The position of the United Kingdom for retaliation is especially weak.

- (1) Our shipping is particularly vulnerable.
- (2) Although our imports of commodities exceed our exports of commodities, these commodities consist, as to the great bulk, of food and raw materials.
- (3) A far larger proportion of our exports than of our imports consists of manufactured goods.

If we embarked on a tariff war, we should stand to lose more than we could gain. The objections to retaliating on food and raw

materials are very great ; but as this is admitted on all hands, the point need not be argued. Almost the whole of our imports from the two most Protectionist countries, United States and Russia, consist of food or raw materials. We come, then, to this conclusion, that experience shows that in no case has Retaliation been really effective in reducing hostile tariffs. If an import duty is in itself injurious to trade, its imposition for purposes of Retaliation will inflict immediate injury upon trade without any prospect of ultimate benefit.

## IX.—IMPORT DUTIES AND PRICES.

Protectionists sometimes allege (1) that a moderate duty on corn would stimulate production at home and in the Colonies ; (2) that it would not materially affect the prices of food.

These statements are obviously inconsistent. In fact, the general tendency of import duties is undoubtedly to raise prices in the country which imposes the duty to the full amount of the duty as compared with countries of free importation, provided that the protecting country is dependent on imports for any considerable portion of its supplies.

On the proposed tax on wheat the following passage occurs in a letter addressed by fourteen teachers of economics to the Press :—

“1. It is not true that an increase of imports involves the diminished employment of workmen in the importing country. The statement is universally rejected by those who have thought about the subject, and is completely refuted by experience.

“2. It is very improbable that a tax on food imported into the United Kingdom would result in an equivalent—or more than equivalent—rise in wages. The result which may be anticipated as a direct consequence of the tax is a lowering of the real remuneration of labour.

“3. The injury which the British consumer would receive from an import tax on wheat might be slightly reduced in the possible, but under existing conditions very improbable, event of a small portion of the burden being thrown permanently on the foreign producer.

“4. To the statement that a tax on food will raise the price of food it is not a valid reply that this result may possibly, in fact, not follow. When we say that an import duty raises price we mean, of course, unless its effect is overborne by other causes operating at the same time in the other direction. Or, in other words, we mean that in consequence of the import duty the price is generally higher by the amount of the duty than it would have been if other things had remained the same.

“5. It seems to us impossible to devise any tariff regulation which shall at once expand the wheat-growing areas in the colonies, encourage agriculture in the United Kingdom, and at the same time not injure the British consumer.

“6. The suggestion that the public, though directly damnified by an impost, may yet obtain a full equivalent from its yield is incorrect, because it leaves out of account the interference with the free circulation of goods, the detriment incident to diverting industry from the course which it would otherwise have taken, and the circumstance that, in the

case of a tax on foreign wheat—English and colonial wheat being free—while the consumer would have to pay the whole, or nearly the whole, tax on all the wheat, the Government would get the tax only on foreign wheat.

The effect of the duty on wheat is illustrated by the following official statement of the comparative prices in France, Germany, Italy, and the United Kingdom at the end of June, 1903 :—

			Price per Quarter.		Import Duty.	
			s.	d.	s.	d.
Italy	...	...	44	2	13	1
France	...	...	40	8½	12	2½
Germany	...	...	35	6	7	7½
United Kingdom	...	...	27	6	1	0

The Board of Trade Memoranda give the following Table showing the excess of the average price of wheat in Germany over that in the United Kingdom for a number of years:—

		Excess of Germany over United Kingdom.		Difference between B. and A.
		A. Excess of Average Price of Wheat per Quarter.	B. Excess of Import Duty on Wheat per Quarter.	
		s. d.	s. d.	s. d.
1883	...	— 1 4	2 2	3 6
1884	...	2 0	2 2	0 2
1886	...	3 2	6 6½	3 4½
1887	...	3 3	6 6½	3 3½
1889	...	10 1	10 10½	0 9½
1890	...	9 11	10 10½	0 11½
1891	...	11 4	10 10½	— 0 5½
1893	...	6 9	7 7½	0 10½
1894	...	6 7	7 7½	1 0½
1895	...	7 5	7 7½	0 2½
1896	...	7 2	7 7½	0 5½
1897	...	5 10	7 7½	1 9½
1898	...	6 6	7 7½	1 1½
1899	...	8 1	7 7½	— 0 5½
1900	...	5 9	7 7½	1 10½
1901	...	8 6	7 7½	— 0 10½
Mean	...	6 2½	7 5	1 2½

“It will be seen from these figures that, taking the whole of the above period, the difference of price between English and German wheat has on an average been somewhat less than the difference of customs duty, viz., 6s. 2½d. as compared with 7s. 5d. The correspondence between the difference of price and of duty has been closer during the latter than during the earlier half of the period, when Germany was less dependent upon imported wheat.

“If we confine our attention to the period 1893—1901 (*i.e.*, between



the alteration of the German duties in 1892 and the imposition of the corn duty in the United Kingdom in 1902), the results are as follows:—

						Per Quarter.	
						s.	d.
Mean difference of English and German price						6	11
Greatest	...	...	...	...	...	8	6
Least	...	...	...	...	...	5	9
Difference of import duty						7	7½

#### FRANCE.

“It has already been pointed out that the degree of dependence of France on foreign wheat supplies varies very greatly from year to year. It is therefore desirable to classify the years of the twenty-year period into two groups, (1) years of minimum importation, and (2) other years.

“The years 1885, 1887, 1891, 1892, 1894, and 1902 are excluded because changes of tariff duty on wheat took place in each of those years either in France or in the United Kingdom, which makes comparison of rates of import duty impossible.

“The following table shows the results of the comparison as regards the remaining 14 years of the series.

“TABLE showing for the PERIOD 1883-1902 (exclusive of years of change of import duty) the DIFFERENCE of PRICE of WHEAT and of IMPORT DUTY on WHEAT in FRANCE and the UNITED KINGDOM, distinguishing years of ‘Minimum’ importation of wheat into France from all other years.

—	Excess of France over United Kingdom.		Difference between B. and A.
	A. Excess of Average Price of Wheat per quarter.	B. Excess of Import Duty on Wheat per quarter.	
	s. d.	s. d.	s. d.
<b>I. Years of Minimum Importation.</b>			
1895 ... ..	9 8	12 2½	2 6½
1896 ... ..	7 2	12 2½	5 0½
1899 ... ..	9 3	12 2½	2 11½
1900 ... ..	6 9	12 2½	5 5½
1901 ... ..	8 6	12 2½	3 8½
Average ...	8 3	12 2½	3 11½
<b>II. All other Years of the Series.*</b>			
1883 ... ..	2 8	1 1	— 1 7
1884 ... ..	5 8	1 1	— 4 7
1886 ... ..	7 6	5 2½	— 2 3½
1888 ... ..	11 11	8 9½	— 3 1½
1889 ... ..	12 4	8 9½	— 3 6½
1890 ... ..	12 2	8 9½	— 3 4½
1893 ... ..	11 5	8 9½	— 2 7½
1897 ... ..	13 7	12 2½	— 1 4½
1898 ... ..	11 8	12 2½	+ 0 6½
Average ...	9 11	7 5½	— 2 5½

\* Note.—The years 1885, 1887, 1891, 1892, 1894, and 1902 are excluded because changes of duty either in France or the United Kingdom took place in those years.

"It will be seen that in each year of 'minimum' importation (*i.e.*, less than 30 lbs. per head) the difference of level of wheat prices in France and the United Kingdom was considerably *less* than the full difference of import duty, the average difference of price being 8s 3d., and of duty 12s.2½d.

"On the other hand, in every year but one in which the imports of wheat exceeded the above limit, the difference of price was *greater* than that of duty, the average difference of price being 9s. 11d., and of import duty 7s. 5½d. The possibility of some difference of average quality between the English and French wheat has already been noted (p. 120)."

Mr. G. J. S. Broomhall, editor of the "Corn Trade Year Book," has pointed out that it was only in the years 1895, 1896, 1898, 1899, 1900, and 1901, in which France was not a wholesale buyer of foreign wheat (as her crop was in each of these years sufficient to fill her requirements), that the price was not raised by more than the full amount of the duty.

Mr. Chamberlain consistently repudiates the intention to tax raw materials, and no one seems to deny that to do so would be an injury to our trade. But why so, if an import duty does not raise prices?

As regards the proposal to exclude foreign manufactures, it is argued that our manufacturers, competing with one another, would supply the vacuum at the same prices as those now paid. If this were true, our manufacturers, who already compete with each other, would now produce at a foreign price. Further, it ignores the fact that, under such circumstances, English manufacturers would not compete with one another. They would do what has been done by manufacturers in the United States and Germany, *i.e.*, form combinations, trusts, or kartells, restrict home supply until prices were raised by the full extent of the duty, and use this tax upon their countrymen to give a bonus to their export trade, *i.e.*, sell dear to us in order to be able to sell cheap to the foreigner.

## X.—THE COST OF LIVING.

In order to defend the proposed food tax Mr. Chamberlain's supporters often assert that he will "not increase the cost of living" because he will take off other taxes to the same amount. So put, the argument overlooks the fact that the food taxes will be *protective*, *i.e.*, they will increase the price of home-grown as well as imported foods, so that they cost the consumer much more than they bring in to the Treasury. The existing food taxes are not protective because not imposed on home-grown products.

The total amount of corn and grain imported from foreign countries in 1902 was 176,000,000 cwt., and the total value of meat imported from foreign countries in 1902 was £39,429,000.

A duty of 6d. per cwt., or 2s. per quarter, on corn and grain would yield ... ..	£4,400,000
A duty of 5 per cent. on meat would yield ... ..	1,950,000
Total addition to revenue through corn and meat duties	<u>£6,350,000</u>

But Mr. Chamberlain would not merely have to give back to the consumer £6,350,000 of food now taxed, say tea and sugar, to square the account. The prices of home grown and colonial imported corn, grain, and meat would all be raised approximately by the amount of the duty. The total amount of corn and grain consumed in 1902 was 371,000,000 cwts., and the total value of meat consumed in 1902 was £108,000,000. The loss to the consumer would be :—

On corn and grain : 6d. per cwt. on 371,000,000 cwt. ...	£9,275,000
On meat : 5 per cent. on £108,000,000 ... ..	5,400,000

Extra cost of bread and meat to consumer ... ..	£14,675,000
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We therefore get :—

Loss to consumer on corn and meat duties ... ..	£14,675,000
Amount of revenue gained from corn and meat duties with which to remit other food taxes ... ..	6,350,000

Loss to consumer after reduction in tea and sugar ... ..	£8,325,000
--	------------

This clearly will not do, so another line is taken. They say the cost of food will not be increased.

The existing taxes on food bring in :—

	£
Sugar... ..	4,478,707
Tea ... ..	5,975,483
Cocoa ... ..	259,302
Coffee ... ..	178,628
Dried Fruits... ..	416,721

Total ... ..	£11,308,841
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Now the cost to the consumer of the corn and meat tax shown above was ... .. £14,675,000

Mr. Chamberlain could remit

all taxes on food ... £11,308,841

and, say, on tobacco ... 3,366,159 — 14,675,000

On this observe

As before, the revenue is left with a loss.

Taxes abolished... ..	£14,675,000
Less corn and meat duty gained ... ..	6,350,000

Net loss ... ..	£8,325,000
-----------------	------------

This is to be made up by a tax on manufactured goods, which, again, will increase the cost of all sorts of comforts and necessities—*e.g.*, clothing, boots, household utensils, etc.; and not only those imported, but those produced at home. Hence the net loss to the consumer cannot be made good. (For the present form of Mr. Chamberlain's proposals see Appendix B.)

But still, it may be said, at any rate the cost of *food* will not be increased ; we can knock off as much taxation of one kind of food as we put on to another.

On this remark—

1. From the above calculation we must knock out tobacco if food only is to be considered.

2. Further, the sugar tax, and one-third of the tea duty, were special *war taxes*. They are revenue taxes to meet extra expenditure, and could be taken off by a competent Government which understood economy, without putting any taxes on to replace them. It is, therefore, quite misleading to speak of the removal as a gain which would accrue to the food consumer through the imposition of other food taxes. The old food taxes, at the rate at which they stood before the war, were :—

Tea ... ..	£ 3,983,656
Other taxes ... ..	854,651
Total ... ..	£4,838,307

Suppose all this is abolished, and we get :—

Loss to consumer by new taxes ...	£ 14,675,000
Gain by abolishing old ones ...	4,838,307
Net loss on food ... ..	£9,826,693

3. The Protectionist argument assumes all the foodstuffs to be of equal value as food. None of the foods at present taxed are of the same value as bread.

4. All the Protectionist calculations on this head assume a small duty (2s. on corn, 5 per cent. on meat). Possibly this will be all they propose at present. But experience shows that Protective duties once accepted by a nation tend to increase.

In France in 1880 they had a duty of 1s. on wheat ; they have now a duty of 12s. In Germany they had in 1879 a duty of 2s. ; they have now a duty of 7s. 6d., and are raising it under the new tariff to 12s. We, in this country, began in 1902 with 1s., they are now proposing to make it 2s., and some talk of 5s. Why is this ? Simply because those who profit by such taxes are always pressing to have them increased. When the present Government took off the 1s. duty in this year, a deputation of landlords and farmers came to beg them to keep it on. This was the first time for a very long while that people asked to be taxed, and the reason is plain : All eat food, and all pay the taxes on food, but those who produce the food pocket the increased price caused by the tax.

Mr. Chamberlain now talks of making the Empire self-supporting in its food supply. As at present only one-fifth of our imported food comes from the Colonies it is easy to see that neither a 2s. nor even a 5s. duty would do this, and with a duty of more than 2s. the Protectionist calculation given above would be wholly upset.



## XI.—WAGES UNDER FREE TRADE AND PROTECTION.

In comparing wages in different countries or at different times we must distinguish Money wages and Real wages. Real wages mean what the workman can get in food and other necessities and comforts in return for his work. They thus depend on Money wages and cost of living.

Free Trade does not necessarily increase Money wages, but it does diminish cost of living.

It is untrue that Protection increases Money wages and so compensates the workman for the increased cost of living.

The Board of Trade gives the following comparison of rates of wages in skilled trades in the United Kingdom, United States, Germany, and France :—

	United Kingdom.	United States.*	Germany.	France.
(A) Number of quotations of rates of wages on which the following results are based	470	141	184	248
	s. d.	s. d.	s. d.	s. d.
(B) Mean weekly rates for fifteen skilled trades { I. Capital cities.	42 0	75 0	24 0	36 0
... { II. Other cities and towns ...	36 0	69 4	22 6	22 10
	Per cent. of United Kingdom Rates.	Per cent. of United Kingdom Rates.	Per cent. of United Kingdom Rates.	Per cent. of United Kingdom Rates.
(C) Percentage comparison (United Kingdom = 100) { I. Capital cities.	100	179	57	86
... { II. Other cities and towns ...	100	193	63	63

### AVERAGE INCOME OF FAMILIES IN GROUPS OF TRADES.

The wages of the single workman do not necessarily make up the whole earnings of the family. To appreciate the condition of the working-classes in each country, therefore, we ought also to compare family earnings. On this the Board of Trade says: "The available data for comparing average family income in large groups of trades are much less complete and satisfactory than those for comparing rates of wages for particular occupations." A calculation, however, was made, and the result obtained is as follows :—

#### *Comparison of Family Incomes.*

United Kingdom.	United States.	Germany.	France.
100	123	69	83

Basing their argument on the figures given above, but admitting that the method is very rough and ready, the Board of Trade conclude that the average level of industrial wages in the United States is not far from one and a-half times that in the

\* New York has been taken as the capital of the United States.

United Kingdom, while the average for Germany is two-thirds, and that for France three-quarters of that which prevails in the United Kingdom.

This shows that the United Kingdom has the highest rate of money wages in any European country. German wages are not quite two-thirds of British. Wages here are below the United States level because : (1) The United States has enormous natural resources ; (2) it has a comparatively sparse population of highly efficient workmen, and the demand for labour is still greater than the supply ; (3) it is the greatest Free Trading area in the world.

But the rate of wages is rising in the United Kingdom more rapidly than in the United States, while the cost of living is falling more rapidly. The Board of Trade gives the following table, showing the change in the rate of money wages in different countries from 1881 to 1900. Taking the wages paid in each country in 1900 as a standard, the table shows what percentage of this was paid in each previous year.

*(The figures are in all cases exclusive of Agriculture.)*

—	United Kingdom.	United States.	Germany.	France.	Italy.
	Principal Groups of Trades.	Average of all Trades.	Groups or Principal Trades under Imperial Insurance Scheme.	Mean of Skilled Trades.	Wages in certain Factories, mainly Textile and Metal.
1881 ...	83·1	88·1	—	85·0	86
1882 ...	84·4	90·1	—	87·5	88
1883 ...	84·3	91·8	—	87·0	89
1884 ...	83·4	91·8	—	87·5	90
1885 ...	81·9	90·6	—	87·5	91
1886 ...	81·1	90·7	81·4	—	92
1887 ...	81·5	92·4	78·7	—	92
1888 ...	83·6	93·4	79·3	—	94
1889 ...	86·9	94·3	80·8	—	96
1890 ...	90·1	95·5	84·4	—	98
1891 ...	91·1	96·7	84·8	—	97
1892 ...	89·3	96·8	84·3	—	97
1893 ...	89·5	96·0	84·8	—	97
1894 ...	88·7	94·8	84·9	—	98
1895 ...	88·2	94·6	85·9	—	98
1896 ...	89·2	94·7	88·6	96·0	98
1897 ...	90·1	95·7	90·9	—	99
1898 ...	92·6	95·6	94·4	—	100
1899 ...	95·1	98·2	96·8	—	—
1900 ...	100·0	100·0	100·0	100·0	—

It will be seen (1) that the rise in the United Kingdom is considerably faster than in the United States, while (2) starting from a much lower level Germany has not gained on us. Meanwhile *real wages* have increased much faster in England than in Germany. This is

seen by comparing the cost of bread and meat, the two most important items in the workman's cost of living.

"STATEMENT comparing COST OF FOOD to a WORKMAN'S FAMILY in  
Quinquennial Periods.

(Average for 1897-1901 = 100.)

Period.	Germany.				United Kingdom.			
1877-1881 ...	...	...	...	112	...	...	...	140
1882-1886 ...	...	...	...	101	...	...	...	125
1887-1891 ...	...	...	...	103	...	...	...	106
1892-1896 ...	...	...	...	99	...	...	...	98
1897-1901 ...	...	...	...	100	...	...	...	100

"The meaning of this Table is that in the last five years a German workman has been able to purchase as much food of the kind to which he is accustomed for 100 marks as he could get twenty years previously for 112 marks, while the English workman has been able to make 100 shillings go as far in purchasing food as 140 shillings would have gone twenty years before." (Memoranda p. 226.)

To this may be added :—

STATEMENT showing PERCENTAGE CHANGES in the AVERAGE of the  
WHOLESALE PRICES of WHEAT and MEAT in various COUNTRIES for  
Twenty years. (Memoranda, p. 227.)

(Average for 1900 = 100.)

Year.	United Kingdom.	France.	Germany.	United States of America.
1883 ...	133'73	—	112'24	132'34
1884 ...	119'73	—	102'66	126'35
1885 ...	109'92	107'44	99'62	109'70
1886 ...	104'77	106'89	97'61	106'39
1887 ...	102'55	103'32	97'15	108'03
1888 ...	107'25	106'93	98'98	113'66
1889 ...	106'50	110'06	108'02	111'32
1890 ...	104'89	117'93	116'82	112'29
1891 ...	111'02	120'77	120'94	116'20
1892 ...	102'41	111'81	111'04	107'73
1893 ...	98'91	105'58	97'71	110'91
1894 ...	92'88	111'52	96'53	91'69
1895 ...	92'64	106'00	96'57	91'27
1896 ...	92'79	99'39	96'39	88'02
1897 ...	100'14	107'66	105'01	101'04
1898 ...	103'36	114'33	111'82	103'84
1899 ...	95'32	101'65	100'33	94'67
1900 ...	100'00	100'00	100'00	100'00
1901 ...	97'37	—	106'10	102'89
1902 ...	101'25	—	109'77	113'73

This table shows that the decline in cost of living is greatest in the United Kingdom.\*

\* The Board of Trade, comparing the first and last quinquennial period for which we have figures for all countries, *i.e.*, 1886-1890 and 1896-1900, says that the fall of prices was greatest in America, but this selection of periods is unduly favourable to the United States as it ignores both the heavy fall between 1883 and 1886 and the sharp rise in American prices between 1900 and 1902. Taking the first and last quinquennial periods given it will be seen that the British decline is slightly the greater.

Putting all these points together :—

The British workman stands first in Europe in money wages, and second to the United States.

His money wages are increasing about as fast as the German's and a good deal faster than the American's.

His cost of living is diminishing faster than either the German's or the American's.

His real wages are, therefore, second only to the American's, and are catching them up while leaving the German's further behind.

The Board of Trade do not attempt to compare the wages of railway men or agricultural labourers. The following comparisons may be given :—

The average wages of different classes of railway servants in England and Germany are :—

	German. Per Day.			English (average). Per Day.	
	s.	d.		s.	d.
Foremen Shunters ... ..	2	10½	...	3	6
Pointsmen and Signalmen ... ..	2	4½	...	3	10½
Ticket Collectors ... ..	2	4½	...	3	3
Porters ... ..	2	5	...	3	0
Locomotive Firemen ... ..	2	5½	...	4	0
Permanent Way Men ... ..	2	1½	...	3	2
	Silesia.			England.	
Average earnings of a superior	£	s. d.		£	s. d.
farm servant ... ..	25	7 0	...	43	15 0
Ditto, of his wife... ..	5	10 0	...	—	—
Ditto, of two children ... ..	5	0 0	...	—	—

£35 17 0 ... £43 15 0

The average wages of the English agricultural labourer before 1846 cannot be given with certainty. From figures given by Mr. Bowley and Mr. Wilson Fox the average would appear to be about 10s. 3d. At the present day the average weekly wage is 13s. 4d., and the average yearly earnings (including piecework, harvest work, etc.) £43 15s., as given above. The following contrasts are instructive :—

	Before 1846.			Present day.	
	s.	d.		s.	d.
Herefordshire ... ..	8	0	...	12	0
Hertfordshire ... ..	9	0	...	15	0
Northumberland ... ..	11	0	...	17	0
Suffolk ... ..	10	0	...	12	0
Warwick ... ..	9	0	...	14	8
Wilts ... ..	7	6	...	14	0

In Devonshire sixty years ago the wages of the labourers were from 7s. to 9s. a week. They seldom saw meat or tasted milk, and their chief food was a mixture of ground barley and potatoes. In Somerset half a bushel of wheat cost 4s.; for grinding, baking, and barm, 6d.; firing, 6d.; rent, 1s. 6d.; leaving for a



man with a wife and five children, out of the total earnings of 7s., a balance of 6d. out of which to provide the family with clothing, potatoes, and all other things.

Here is one among many descriptions of the "Good Old Days." Mr. G. Chambers, Beaminster, Dorset, writes:—

"I am old enough to remember when the poor people were very largely fed on barley meal and swede turnips—in 'those good old days' that some of our legislators and others are anxious to bring us back to. Agricultural labourers were then getting 7s., and some 8s. a week, and anyone can guess the wretchedness, want, and misery that prevailed. At an old-established corn store tons of barley meal were sold in those days to the poor, and made into what was commonly known as 'barley trizzer' or into dunch, and boiled with swedes. I could give pathetic instances of mothers and children that I remembered in those Protection days, with pinched faces and starved looks. I have chatted with an old man, aged eighty-six, who tells me that the labourers had to partly live on the barley meal. He was brought up on a farm, and can well remember the mixture of food—very little wheaten bread, barley meal, both baked and boiled with turnips. As a change, sometimes horse-beans were cooked to provide a meal for the hungry mouths."

## XII.—DUMPING.

The nature of dumping has been very clearly explained in the following extract from the *Birmingham Daily Post*, July 29th ("Trade Preference and Reciprocity.—The Art and Theory of Dumping"):—

"Let us suppose that the 'full cost price' of a certain article in America is 4s., and that the 4s. is made up as follows:—

	s.	d.
(a) Capital charges on plant... ..	0	9
(b) Establishment charges ... ..	0	6
(c) Material ... ..	1	9
(d) Wages ... ..	1	0

"A selling price of 4s. 6d. in America therefore gives a margin of profit. In order to show that dumping may be profitable to the American manufacturer and ruinous to the English manufacturer, even though the cost of production is actually lower in England than in America, we will suppose that the full cost price in England is 3s. 9d. That price must be undersold to make the example of dumping perfect.

"The maximum output of the works we will put at 100,000 articles a year. This maximum output is assumed in calculating the full cost price of each article. Suppose that the American market will take 80,000 articles at 4s. 6d. The choice lies between restricting the output to 80,000, or making 100,000 and exporting 20,000 to England at dumping prices. Let us calculate which of these two courses is more profitable.

### (1) OUTPUT OF 80,000.

	Expenditure.	£
(a) Capital charges... ..	3,750	
(b) Establishment charges ... ..	2,500	
(c) Material ... ..	7,000	
(d) Wages ... ..	4,000	
Total ... ..	£17,250	

<i>Income.</i>				
80,000 sold at 4s. 6d.	...	...	...	£18,000

## (2) OUTPUT OF 100,000.

<i>Expenditure.</i>					£
(a) Capital charges	...	...	...	...	3,750
(b) Establishment charges	...	...	...	...	2,500
(c) Material ...	...	...	...	...	8,750
(d) Wages	...	...	...	...	5,000
Total					£20,000

<i>Income.</i>					£
80,000 sold at 4s. 6d.	...	...	...	...	£18,000
20,000 dumped at 3s. 6d.	...	...	...	...	3,500
Total					£21,500

"The profit after paying interest on capital is £1,500 with dumping, but only £750 if no attack is made on the British market. From the former sum a deduction is made for the cost of carriage to England, but the difference is large enough to bear this deduction easily."

The best answer to this special case has been given by Mr. W. M. Lightbody in *The New Liberal Review*, September, 1903, ("The Economics of Dumping," page 198), from which we extract the following:—

"... This seems convincing enough, but there is no magic in those particular figures. Let us see if it holds good with slightly different quantities. Suppose that, instead of laying down plant to manufacture in excess of the American demand, the American producer calculates for a maximum output of 80,000, the most that the home market will absorb. Then the last 16,000 articles, one-fifth of the whole, as in the previous instance, can be produced without adding to items (a) and (b). The capital charges, &c., will be reckoned on 64,000 instead of 80,000 articles, and will therefore amount to four-fifths of the previous figures. The case then works out thus:—

## OUTPUT OF 80,000.

<i>Expenditure.</i>					£
(a) Capital charges	...	...	...	...	3,000
(b) Establishment charges	...	...	...	...	2,000
(c) Material ...	...	...	...	...	7,000
(d) Wages	...	...	...	...	4,000
Total					£16,000

<i>Income.</i>					
80,000 sold at 4s. 6d.	...	...	...	...	£18,000
Profit,					£2,000.

"This proves conclusively that, by the writer's own hypothesis, it would pay the American producer best of all to calculate upon the home demand alone, and to avoid the necessity of having any surplus to dump. Thus the first and most obvious objection urged against the supposed prevalence of dumping turns out to be valid after all; such a thing can only be exceptional and occasional, caused by the American producer

having miscalculated the demand. We need not go to America for instances of this; a slump in prices of certain articles caused by over-production is familiar enough in home markets.

"All this, however, is on the supposition that the writer's hypothesis is justifiable. When we come to examine it, several points may be called in question. To begin with, it takes for granted that the capital charges, &c., would be no greater for 100,000 than for 80,000. In almost no instance is this strictly true, and in many instances it is far from true. Machinery, for example, wears out sooner, and this adds to the charge for depreciation; an increased wages bill means more working capital demanding some return, and so on. Again, it is assumed that the producer cannot dispose of any of the surplus on the American market, because he would then lower prices against himself. This is no doubt true if the whole business is in the hands of a trust or a combine, but where there are many independent producers, each striving for his own good, regardless of the interests of the others in the trade, it is by no means certain that it would work out quite in the manner supposed. A manufacturer left with a large surplus would be much tempted to force sales on the home market, even at the risk of depressing prices somewhat for the time being. Where the market is large, as in America, a slight reduction of price might enable him to get rid of his surplus without cutting prices to any great extent. Only concerted action in the trade could check such an attempt to benefit at his neighbour's expense. For it would pay him better to sell all the 100,000 at 4s. 4d. in America than to sell 80,000 at 4s. 6d. and to dump the remainder at 3s. 6d."

The following notes are based on—

#### THE BOARD OF TRADE MEMORANDUM ON DUMPING.

It is possible to construct a theoretical case in which it would be desirable as a matter of public policy to check sales by a particular foreign firm or combination in this country. Supposing that an International Trust with unlimited resources should set itself deliberately to extinguish a British industry by continually cutting prices, it might be wise to prevent its operations. But no such case exists. We may quote on this point from the Board of Trade's Memorandum the following passage (p. 297):—

"It is, of course, easy to suppose a state of things in which a Kartell or a combination of Kartells might deliberately export at a low price with the principal or the exclusive aim of injuring, and ultimately of entirely ruining and bringing to a close, a particular industry in a foreign country. But it cannot be said that there is any clear evidence of such action on the part of the German combinations, whose export policy up to the present time appears to be mainly the result of supply exceeding demand in the German domestic markets."

If we turn from imaginary cases to "dumping" as it exists, the evidence of the Board of Trade Memorandum tends to show—

(1) That it is a part of the policy of German and American Trusts to sell goods for export at prices lower than those which they obtain at home; but

(2) That in essentials the same policy is pursued by exporters of all kinds both British and foreign, whether combined in Trusts or under free competition.

(3) That the dumping policy may injuriously affect certain industries in the countries which receive the cheap goods ; but

(4) That it equally, or more than equally, benefits other industries which use the cheap goods as materials or appliances ; while

(5) Other trades in the country which does the dumping often suffer by the competition of the country which gets the dumped goods ; while

(6) Protected countries suffer or gain as the case may be just as do Free Trade countries.

The first five of these points are fully dealt with in the Appendix. Point (6) leads to the question of the remedies proposed, to which we now turn.

The majority of our Protectionists assume that the obvious and only remedy is a moderate tariff. This assumption omits all consideration of the fact that existing tariffs do not prevent dumping.

Professor Ashley, in his book, *The Tariff Problem*, written in support of Mr. Chamberlain, quotes the following passage from the evidence given by Mr. Guthrie, President of the American Steel Hoop Company, before the Industrial Commission, in October, 1899 :—

“ My idea is that the English and German manufacturers *invariably* make a dumping ground of America when they are slack of work ; they distribute their fixed charge over a full tonnage, they get their profit out of the home trade and dump their surplus into America. . . . We want to take a leaf out of the book of the German and the Englishman, and we want to send stuff abroad.”

Professor Ashley further ridicules the notion that a low tariff would check dumping (pp. 132-3) :—

“ No low or even moderate duty will suffice to keep out foreign goods when they are being sold at any price to ‘relieve’ the domestic market. It is naturally difficult to get quite reliable information as to the reduction of prices ; but it is said that German rails were sold at home at 115 marks the ton, abroad at 85 marks ; wire tacks at home at 250 marks the ton, abroad at 140 marks ; and that in the last period of depression in the United States, American rails were sold abroad at a reduction of 32 per cent., tin plates at a reduction of 31 per cent., and various gauges of galvanised wire at as much as from 63 to 84 per cent. reduction.

“ *To meet such prices, duties of 50 or 75 per cent. ad valorem may be needed—or even prohibition.*” The italics are our own.

This admission is interesting. The United States duties on our goods average, we are told by the Board of Trade, 73 per cent. These duties, we are told by Mr. Guthrie, have not been able to stop either German or English “dumping” in the United States.

We conclude then :—

1. A moderate tariff would not be a remedy.
2. So far as dumping injures us, the evil is only occasional, while a tariff would be permanent and involve a permanent loss to us.



3. A tariff would enable our manufacturers to do what the German manufacturers are doing, *i.e.*, sell dear at home and cheap abroad. On the evidence of the Board of Trade Memorandum, this is not only an injury to the consumer at home, but enables the foreigner who uses the dumped goods to compete more successfully in neutral markets.

If any case were to arise of permanent injury to British industry by dumping, and none has as yet been shown, it could be dealt with by an exceptional measure and prohibited without reversing our fiscal policy.

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### XIII.—SOME SPECIAL TRADES.

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Every trade would gain by having its own special product protected provided that nothing else was protected at the same time. Thus the shoemaker would gain by a tax on boots, provided there was no tax on leather, nor on any of the machinery that he uses, nor on the materials from which the machinery is made, nor on his bread or meat or clothing. The Protectionist method is to utilise this conflict of interests by appealing to each trade separately on the advantage which it could gain by a tax on its special manufacture alone. The broad answer is to point out that piecemeal Protection is impossible. Government cannot permanently favour one trade at the expense of another. Protection once begun must go all round.

It cannot even be confined to manufactures. Much of our industry consists in working up material to a certain point for use in further manufacture, and at every stage foreign competition comes in. The maker of pig-iron would claim just as much protection as the maker of finished cutlery.

Finally, all manufactures being protected, the claims of agriculture for similar assistance would be irresistible, and we should be brought by another road to the taxation of food. It should be noted in particular that Retaliatory taxation would at once lead to the taxation either of food or materials, since they make up 71 per cent. of our imports.

Even from the taxation of manufactures, so far as it diminished imports, our export trade would suffer, and, along with both, our shipping. There would be a net reduction of employment.

Each trade, therefore, which is appealed to on its special interest should be asked: (1) Whether it is also prepared for the taxation of its materials and appliances; (2) for the increase in the cost of living; (3) if it has an export trade, for the partial closing of the foreign market.

We subjoin a few facts relating to certain industries, to which special prominence has been given in the course of the controversy.

## (1) THE IRON TRADE.

This trade is one of those which is alleged by Protectionists to be suffering from our Free Trade system, and even to be threatened with extinction by the "dumping" policy. In point of fact the trade is flourishing and growing, as is shown by the growth of profits recorded in the 45th Report of the Commissioners of Inland Revenue (p. 192). Under the heading "Assessments of Profits of Iron Works in the United Kingdom," the Commissioners make the following statement :—

"The gross income assessed under this head in 1891-92 amounted to £2,979,442. From 1892-93 to 1897-98 there was a considerable falling off, but in 1898-99 there was an improvement, the figure being £3,007,591. In 1899-1900 the profits showed a further rise to £3,211,984, and finally in 1900-1901 they increased by £2,400,976 over 1891-92, or 80·5 per cent. The assessments on iron works are made on the basis of the profits of the preceding year."

The figures for the ten years were :—

Year.					Amount. £
1891-92	...	...	...	...	2,979,442
1892-93	...	...	...	...	2,089,227
1893-94	...	...	...	...	1,832,308
1894-95	...	...	...	...	1,834,127
1895-96	...	...	...	...	1,934,126
1896-97	...	...	...	...	1,840,350
1897-98	...	...	...	...	2,556,392
1898-99	...	...	...	...	3,007,591
1899-00	...	...	...	...	3,211,984
1900-01	...	...	...	...	5,380,418

Observe that Canada as well as Germany sends us iron, and last year £116,000 worth of Canadian pig-iron reached the United Kingdom. Further the Canadian iron is, while the German is not, bounty-fed. Canada, however, has unfortunately set an example to the world in this respect. The following is the scale of bounties paid :—

	From Canadian ore. Dols. per ton.		From foreign ore. Dols. per ton.	
To April 21, 1902	...	3·0	...	2·0
„ July 1, 1903	...	2·7	...	1·8
„ July 1, 1904	...	2·25	...	1·5
„ July 1, 1905	...	1·65	...	1·1
„ July 1, 1906	...	1·05	...	0·7
„ July 1, 1907	...	0·6	...	0·4

The Canadian iron-ore imported last year, therefore, was bounty fed at the rate of 8s. 6d. per ton, taken from the pockets of Canadian consumers. A recent message from Ottawa told us that the reduction shown in the table for 1903 has been suspended until next year.

The following figures show the growth of exports of steam engines and other machinery :—

		£		Increased £ value in decennium.
				£
	1840 ...	593,065	...	—
	1850 ...	1,042,166	...	449,101
	1860 ...	3,837,821	...	1,795,655
	1870 ...	5,293,273	...	1,455,452
Average of	1878-82 ...	9,186,627	...	3,893,354
,,	1888-92 ...	14,864,542	...	5,677,915
,,	1898-1902	18,662,430	...	3,797,888

Mr. James Cox, the workmen's secretary of the Manufactured Iron and Steel Trade Board of Conciliation for the North of England, in a recent speech to the South Staffordshire iron workers said :—

"They would be told during the next nine months that it was an awful shame that they should have so much foreign material dumped down into the English market at very low prices. He for one welcomed the fact, and he was glad that during the last two or three years we had been able to buy at a cheap rate. By reason of depression German manufacturers had been compelled to sell at ridiculously low prices, and that simply meant that many of the industries which depended upon materials sent here would not have been able to go on if they had not come. Our sheet trade during a time of depression had gone up by leaps and bounds. The galvanised trade had largely increased. In 1890 our exports of galvanised sheets were 247,177 tons, while last year it was no less than 331,272 tons. These greatly increased exports meant a lot of work in this country, and it had been made possible by reason of cheap German bars dumped down in this country."

Mr. George N. Barnes, secretary of the Amalgamated Engineers, also has something to say on the subject. He tells us that :—

"Germany sends a good deal of shafting and pig-iron and steel, but I do not view this with alarm. These goods are in the nature of raw material, and in some cases we get this raw material cheaper than our own people can make it. This is a distinct advantage to us, as our members are engaged in making it up into millwork, ships, etc. Not only so, but this cheap material enables us to produce the finished goods cheaper.

"Nor are the conditions so bad for those producing partly-finished work. The ironworks situated on the coast, and provided with up-to-date machinery, make large profits. Bell's, of Middlesbrough, paid 25 per cent., and at Newport the condition is similar. In the Midlands you may hear of ironworks closing up. One reason is that they are not in the right place. The heart of England is not the place for a trade that is dependent on foreign ore. Another reason is that they have not kept their appliances up-to-date.

"Germany is able to produce cheaply for many reasons, one being the smaller amount of royalty the German ore pays, but where Germany beats us there are special reasons for it. They have given more atten-

tion to the application of scientific knowledge in some parts of the industry.

"The American engines, of which we have heard so much, were imported when the English shops were so busy that they could not turn out the work in time. But I don't think there will be any more of these engines imported. There is a general agreement that they were not up to the standard of our engines.

"As to American conditions, of course wages are higher, but not so much higher so far as engineers are concerned. The highest wages are found in industries that must be carried on within the country, such as the building trades. Where the American is open to competition from other countries wages are not so much higher. The average money wage would be 50 to 60 per cent. higher than in England, but increased cost of living absorbs a large proportion of this amount. As to their life, there is more pressure. In England there is more fellow feeling. In America people are always on the go; the strain is greater—not physical, but mental strain. The man is conscious that he must always be on the alert, or somebody will get on top of him.

Summing up the situation, Mr. Barnes said :—

"I am no pessimist about the iron trade, provided our raw materials are left alone. We are free from restriction, which is a great advantage. And, generally, looking at the situation from the point of view of the man engaged in making the finished product, it is all to our advantage. While regarded from the point of view of the men engaged in the production of iron and steel, the prospect is not alarming. As I have said, all the works on the coast which are up-to-date are doing well. We export twenty-eight million pounds' worth of iron goods, and this is the smallest part of our trade. The home trade is by far the more important.

"We have no need to fear foreign competition. Look at the fact that during recent years large amounts of American capital have been invested in this country. Many firms have set up works here, and employ thousands of men because they can get raw materials cheap. Why did the Westinghouse people come from Pittsburg and build large works here?"

### BRASS AND BRASS MANUFACTURE.

Imports of manufactures of brass, bronze, and lacquered metal into the United Kingdom have increased in the last ten years as follows :—

					£
1893	...	...	...	...	116,344
1894	...	...	...	...	133,877
1895	...	...	...	...	170,981
1896	...	...	...	...	219,204
1897	...	...	...	...	209,197
1898	...	...	...	...	213,666
1899	...	...	...	...	183,986.
1900	...	...	...	...	217,236
1901	...	...	...	...	240,058
1902	...	...	...	...	295,251

Mr. Davis, the secretary of the Brass Workers' Society, points out to us that these imports include articles that we have never



made, such as bronzes, French ornaments of the earlier period, and also patented articles. These imports have helped the trade considerably in suggesting new ideas. Ornaments, inkstands, and other goods of French make have been copied, and we are now placing them on the market. Some of these goods also are for re-exportation; we simply buy them to sell again to other countries.

Whilst our attention is called to the increase of imports, nothing has been said about the exports which also show a considerable increase, as might be expected with a developing trade. The exports for the corresponding ten years are as under:—

#### EXPORTS OF BRASS WORK OF ALL KINDS

					£
1893	...	...	...	...	458,233
1894	...	...	...	...	406,831
1895	...	...	...	...	418,601
1896	...	...	...	...	492,623
1897	...	...	...	...	491,370
1898	...	...	...	...	471,234
1899	...	...	...	...	562,783
1900	...	...	...	...	631,015
1901	...	...	...	...	593,001
1902	...	...	...	...	613,441

#### *Average for 5 years.*

1893-97	...	...	...	...	453,531
1898-02	...	...	...	...	562,900

It must also be remembered that the export of electrical work includes a considerable amount of brass work.

While the foreign trade has been developing there are indications that the home demand has grown more rapidly, although no exact statistics are available. In the Birmingham district—one of the chief centres of the industry—there are about 1,000 firms engaged in the trade, whilst the number of workers has increased in a corresponding degree.

Hours of work have been reduced to 54, and in some cases to 52, per week. In 1900 the men obtained a minimum wage for workmen (on attaining twenty-one years of age) of 4½d. per hour, with a bonus of 20 per cent. To-day wages range from 24s. to 60s. a week, the average for piece workers being about 34s. a week. Within the memory of men now living, grown men were receiving about 15s. a week for work for which they are now paid 26s.

#### HOSIERY.

Some correspondence was recently published between Mr. Chamberlain and certain Nottingham hosiery manufacturers giving a gloomy view of the trade and laying stress on the increase of imports and the decline of wages. We have made enquiries into the condition of the hosiery trade, of which we give some of

the results. The following are the figures for the five years 1898-1902 :—

EXPORTS AND IMPORTS OF HOSIERY.

EXPORTS.					IMPORTS.
Year.	Cotton Stockings, Socks.	Cotton Hosiery, Other Sorts.	Woollen Hosiery.	Total.	Cotton Hosiery.
	£	£	£	£	£
1898	174,888	159,700	783,572	1,118,160	410,263
1899	175,598	146,833	909,358	1,231,789	371,428
1900	228,814	165,476	898,606	1,292,896	619,752
1901	222,637	197,345	893,335	1,313,317	707,673
1902	198,598	259,144	952,767	1,410,509	832,702

*Note.*—The Imports of Woollen Hosiery are not returned separately, but are included with Woollen Manufactures—Unenumerated.

These figures do not indicate declining trade, and manufacturers in Nottingham and Leicester, from whom we have obtained information, agree that until the end of 1902 the production of hosiery was constantly increasing, while the Government purchases on war account made 1900 a record year. There is now a lull, which is attributed to the war.

The Dingley tariff affected the American export trade, it is true, but other causes contributed. The Germans secured an exceptionally good fast black dye, which people in the trade say was first offered to Nottingham, and to-day goods are being sent from Nottingham to Saxony to be dyed.

The hosiery trade, however, has a history. It was the awful condition of the people engaged in this trade which was frequently quoted during the Anti-Corn Law agitation. There are many records of the condition of the people in these early days. In 1821 the Nottingham framework knitters struck, and in a leaflet addressed to "the noblemen, clergy, parish officials, and tradesmen of Nottingham," they say :—

"Never were the workmen's wages so low as at the present period, since the establishment of the trade by the invention of the stocking frame. For after working for 14 to 18 hours a day with incessant labour, it is universally acknowledged that the noble trade scarcely averages 5s. per week clear of all deductions."

In the same circular they add :—

"We have ceased from labour as the only means of restoring us to a state of comfort, feeling that it is only dragging on a miserable existence to work at our present prices; and indeed, any situation in life, be what it may, is far preferable to being a framework knitter. Our very countenances declare it unto you; nor could any man of sympathy look upon our pale meagre faces, our emaciated bodies, our ragged garments, and say we are not wretched beyond anything he ever saw. If this does not suffice, let him take a peep into our abodes and see our wives and children."

In a voluminous report, prepared by a Government Commis-

sioner appointed in response to a petition in 1843, particulars are given of the earnings of a large number of persons in Leicestershire, Derbyshire, and Nottingham. Details are supplied of 154 cases, representing 609 persons; the net earnings of these families being £45 10s., or an average of 1s. per head to provide house rent, fuel, clothes, and all other necessities. In some cases the amount per head is as low as 6¼d.

We quote a few typical cases :—

1.—Aaron Wright, aged forty-nine, nine in family, of whom three work thirteen hours per day, their gross earnings averaging 17s. 2d. a week. He pays 4s. for rent of frame, 2s. 3d. for seaming, 5½d. for needles, and 11d. for oil and light, leaving net earnings 9s. 6½d. per week. House rent is 2s., coals 1s., leaving 6s. 6½d. to supply nine persons with food, clothing, and other necessities, or an average of 8¾d. per head per week.

2.—John Thornton, age 50, works 14 hours a day, making worsted hose at 1s. 3d. per dozen. His gross earnings are 7s. 6d.; he pays 1s. per week frame rent, and 1s. 8d. for seaming, needles, coal and candles, leaving net weekly earnings 4s. 10d.; rent and coals cost 2s. 6d., leaving 2s. 4d. for three persons' food, &c., or 9¼d. per week each.

3.—Another case is that of William Cawthorn, aged 47. Three daughters and one son (14) work with him, their united earnings being 27s. 6d., out of which 12s. 3d. is paid for expenses, leaving net earnings 15s. 3d. The wife earns 1s. 6d., and two children, aged 11 and 9, one shilling each, making the family earnings 18s. 9d. for the week. Rent and coals cost 2s. 10½d., leaving 15s. 10½d. or 2s. per head for food and clothing. This man had not had a new coat for 16 years, and the family are in a ragged condition generally.

At this time, while hosiery was still a protected trade, it was reckoned that the annual consumption of machine-made hosiery in the United Kingdom would not supply each of its inhabitants with more than one pair of stockings or socks, and one pair of gloves, at a cost of 1s. 6d. to each person.

Comparing these conditions with those of the present day, the position of the worker has improved wonderfully, notwithstanding the fact that reductions have been made in the piece prices within recent years, amounting to about 25 per cent. The improvements in machinery, such as the introduction of automatic action, have enabled the workers to earn even more than they did with the older scales, whilst hours of work have been reduced, and do not exceed 54 per week.

Nearly all the work is paid by piece rates and the earnings are affected by the condition of the machinery. The average weekly wage of 35s., recently quoted by Mr. Thorniloe, the President of the National Hosiery Federation, is an instance of this. The average of the Rotary Power Framework Knitter working on the new machines is over 40s., many earning considerably larger sums,

while the men working on old machines earn 30s. or less. A large and increasing number of women are employed, mostly on piece work. Seamers average 14s. a week. Linkers (women who join up the parts of garments) average 16s. a week. Winders, mostly employed by time, begin at 6s. and rise to 12s. a week. Many, however, exceed these rates considerably. Here are some actual average earnings taken from the wages books of manufacturers at Leicester and Nottingham.

Knitters (men) average	...	...	...	£3	14	0	per week.
(Out of which they pay a helper.)							
,, (women), fast hand, average	...	...	...	1	3	0	,,
,, ,, slow hand	,,	...	...	0	10	2	,,
Linkers ,, average	...	...	...	0	18	10	,,
Seamers ,, ,,	...	...	...	0	18	9	,,
Winders ,, ,,	...	...	...	0	12	0	,,

As to the present alleged depression, while some Nottingham manufacturers complain of loss of trade, new factories are opened in Leicestershire. The workers attribute whatever depression exists to the too conservative management of the factories, and say that the German competition is strong because labour is better organised in the German shops.

### WOOL.

The following Table gives (1) the exports of woollen and worsted goods since 1877 from an official return and (2) the consumption of wool from figures compiled by the Bradford Chamber of Commerce. The figures indicate that while the export trade has diminished more wool has been manufactured. The increase has, therefore, been consumed at home.

British Exports of Woollen and Worsted Goods to Foreign Countries. In Millions of £.					British Consumption of Home, Foreign, and Colonial Wool. In Millions of lbs.	
1877	...	...	17.3	...	...	373
1882	...	...	17.9	...	...	356
1887	...	...	20.6	...	...	392
1892	...	...	18.5	...	...	467
1897	...	...	17.9	...	...	470
1902	...	...	14.2	...	...	518 (figure of 1901)

Any injury done to the woollen and worsted trades of this country must be felt first of all at Bradford. It is computed that "five-sixths of the wool manufactured, or partly manufactured, in this country is at some stage the subject of a bargain in some Bradford merchant's warehouse" (*British Association Handbook*, 1900). If it be true that foreign tariffs have destroyed our woollen and worsted trade, nowhere could this be more apparent than at Bradford. It is not denied that foreign tariffs have very injuriously affected the trade for the time being, but the economic condition of the general population of the city of Bradford shows beyond doubt that the trade has in every case recovered from the



injury and prospered. Comparing the present day with twenty or ten years ago, Bradford shows increased population, increased ability to pay higher rates and taxes, increased expenditure on necessities and luxuries, increased savings, higher wages and more constant employment, decreased bankruptcy, decreased pauperism, and decreased application for private charitable assistance :—

*Population. Present City of Bradford.*

1881	...	...	...	...	240,781
1891	...	...	...	...	266,164
1901	...	...	...	...	279,767

*Pauperism. (Quinquennial Averages.)*

1882-1886	...	...	...	...	3,160
1887-1891	...	...	...	...	2,448
1892-1896	...	...	...	...	2,634
1897-1901	...	...	...	...	2,328
1902	...	...	...	...	2,297

Quinquennial averages are taken, instead of individual years, because years of exceptional depression, like 1882 and 1895, are not a fair test of the general state of pauperism.

The figures from the Bradford census returns as to the total numbers employed in the wool and worsted trades must be accepted with caution. The classification of the census of 1901 is not in all respects the same as that of 1891. The change in the methods of classification causes an apparent decrease in persons working and dealing in wool and worsted much larger than the reality. In the woollen and worsted trade of the West Riding as a whole, cotton is largely and increasingly used, as well as all kinds of what the census returns describe as "mixed and unspecified materials." There are various dyeing and finishing processes which do not appear under the heading of woollen and worsteds. In fact, almost the whole of the textile industry in the West Riding, in whatever raw material, is part and parcel of the woollen and worsted trades. There cannot, therefore, be any fair test of occupation movements without taking the whole textile classification into account. Further, the commercial classes—merchants, agents, accountants, clerks, etc.—and those engaged in conveyance by road and in storage and portorage, by far the larger part of whom are engaged in textile trade, and chiefly in the wool and worsted trades, ought to be added to get a proper comparison of the condition of the woollen and worsted industry in Bradford.

The following is the Census Classification for the West Riding:—

	1881.	1891.	1901.
Textile Trades ... ..	270,987	296,068	270,753
Commercial Classes ... ..	21,144	27,891	40,698
Carriers, Carters, etc., on roads (not railways or on farms) ...	12,366	17,231	25,811
In storage and portorage ...	10,124	12,047	14,671
	314,621	353,237	351,933

It will thus be seen that, on manufacturing and distributing textiles as a whole, there has been a slight decrease only since 1891, notwithstanding the very large withdrawal from the trade of half-timers in this period.

One of the most striking features in the development of West Riding trade is the increase of persons employed in making machinery, by far the largest part of it textile machinery. The slight decrease in wool and worsted employment, fully accounted for by improved methods, is much more than compensated by the increased employment in the making of machinery.

### SHIPPING.

#### STATEMENT SHOWING THE COMPARATIVE PROGRESS OF BRITISH AND FOREIGN SHIPPING (1840-1902).

Table showing tonnage of the merchant navies (sailing and steam vessels on the register) of the United Kingdom, the German Empire, France, and the United States :—

—	United Kingdom (including Channel Islands and Isle of Man).	German Empire.	France.	United States. Registered for Oversea (Foreign Trade).
	Tons.	Tons.	Tons.	Tons.
1840 ... ..	2,768,262	—	662,500	899,765
1850 ... ..	3,565,133	—	688,153	1,585,711
1860 ... ..	4,658,687	—	996,124	2,546,237
1870 ... ..	5,690,789	982,355	1,072,048	1,516,800
1880 ... ..	6,574,513	1,181,525	919,298	1,352,810
1890 ... ..	7,978,538	1,433,413	944,013	946,695
1895 ... ..	8,988,450	1,502,044	887,078	838,186
1896 ... ..	9,020,282	1,487,577	894,071	844,954
1897 ... ..	8,953,171	1,555,371	920,871	805,584
1898 ... ..	9,001,860	1,639,552	900,288	737,709
1899 ... ..	9,164,342	1,737,798	957,756	848,246
1900 ... ..	9,304,108	1,941,645	1,037,726	826,694
1901 ... ..	9,608,420	2,093,033	1,110,988	889,129
1902 ... ..	10,054,770	—	—	882,555

### XIV.—PREFERENTIAL TRADING.

#### COLONIAL PREFERENCE NOT A NOVELTY.

In the year 1840 a Select Committee was appointed to consider the subject of import duties, both as to their effect on the trade of this country and on the British possessions abroad.

The Committee collected much valuable evidence, and, after carefully considering the whole subject in detail, condemned Protection, root and branch.

With regard to preferential duties for Colonial products, their report ran as follows :—

“The interests of the Public Revenue have been by no means the primary consideration in levying the import duties, inasmuch as competing foreign produce is in some instances excluded, and in others checked,

by high differential duties levied for the protection of British Colonial interests, and in many cases such differential duties do not answer the object proposed, for it appears, as in the case of foreign clayed sugars, where it is obviously intended they should be excluded from the British market, that the monopoly granted to British Colonial sugars has so enormously raised the prices in our market that the foreign sugars have lately come into consumption, though charged with a duty of 63s. per cwt., while our plantation sugars pay only 24s.

"Another inconvenience which the differential duties create is that they offer a premium for evading the intention of the Legislature. Foreign coffees are charged 1s. 3d. per pound, colonial coffees only 6d., while coffees imported from the Cape of Good Hope pay 9d. Now, as the cost of sending in an indirect way coffee from foreign countries to the Cape is only from  $\frac{1}{2}$ d. to 1d. per lb., very large quantities are shipped from the Brazils and Hayti to the Cape and thence re-shipped to England. The English consumer thus pays the increased duty and the difference of freight, and the foreign coffee is not excluded from the British market, though it was obviously the purpose of the law to exclude it."

On the subject of food and wages the Committee added:—

"The witnesses concur in the opinion that the sacrifices of the community are not confined to the loss of revenue, but that they are accompanied by injurious effects upon wages and capital, they diminish greatly the productive powers of the country, and limit our active trading relations."

The British people are now, in the year 1903, being told that Free Trade is "old-fashioned." In the year 1840 Protection and preference were old-fashioned and found out.

### EFFECT OF CANADIAN PREFERENCE.

The lessons to be learnt from the results of Canadian preference are not encouraging. Even Mr. Chamberlain admits this. As late as last year, in his opening speech to the Premiers at the Colonial Conference in 1902, he said:—

"The net result which I desire to impress upon you is that in spite of the preference which Canada has given us, their tariff has pressed, and still presses with the greatest severity, upon its best customer, and has favoured the foreigner."

In point of fact the Canadian tariff is so arranged that, in spite of the preference, the average duty on the classes of goods which come from the United Kingdom is higher than that on the classes of goods which come from America. Hence it is not surprising that the practical results of the preference should be disappointing, as Mr. Chamberlain admitted:—

"Canada, therefore, has anticipated the general proposal of the Premiers, and the time which has elapsed has been sufficient to enable us to form a judgment of the effect of an arrangement of this kind; and I have to say to you that while I cannot but gratefully acknowledge the intention of this proposal and its sentimental value as a proof of goodwill and affection, yet that its substantial results have been altogether disappointing to us, and I think they must have been equally disappointing to its promoters."

The first rebate of  $12\frac{1}{2}$  per cent. was given by Canada to British goods in April, 1897. This was increased to 25 per cent. in July, 1898, and again in July, 1900, to  $33\frac{1}{3}$  per cent. British exports to Canada have grown considerably in these years, but American, German, and French exports have grown faster:—

#### VALUE OF IMPORTS INTO CANADA

(In millions of dollars).

		From U.K.		From France.		From Germany.		From U.S.A.
1896	...	33'0	...	2'7	...	6'4	...	59'2
1897	...	29'3	...	2'5	...	5'7	...	66'1
1898	...	32'4	...	4'0	...	5'7	...	83'0
1899	...	36'8	...	3'8	...	7'3	...	97'1
1900	...	44'9	...	4'4	...	8'7	...	109'2
1901	...	42'9	...	5'5	...	6'6	...	115'9
1902	...	49'2	...	6'9	...	10'9	...	123'7

#### CANADA, GREAT BRITAIN, AND GERMANY.

Mr. Chamberlain, in his speech on May 15th, advocated Preferential Tariffs as a means of Retaliation and to protect the Colonies against attack, and he specially signalized the supposed grievance of Canada against Germany.

In 1897 Canada proposed to give certain tariff advantages to Great Britain. The proposal was admittedly contrary to the existing commercial treaty between Great Britain and Germany, by which Germany was entitled to any advantages which Canada might give to Great Britain. To meet Canada's proposals, accordingly, this treaty was denounced, and came to an end on July 30th, 1898. Before the date of its termination, on June 16th, 1898, it was officially notified by Germany that Canada would no longer receive "most-favoured-nation" treatment at her hands. This action was hardly met by anything that can be called a remonstrance. Mr. Chamberlain merely objected in August of that year that the reason of the German action was "not apparent," and in the following month the German Government was informed that Canada was "disappointed" at its action. In the following June (1899) Germany was asked to give the reason why Canada was treated differently from French colonies, to which she replied in August that her action was based on treaties with France. The languid correspondence then slumbered altogether till 1903, when the sudden discovery was made that Canada was a deeply injured member of the British Empire, whose sufferings could only be avenged by retaliation on the wicked German.

The last Canadian Blue Book shows that in the fiscal year ended June, 1902, Canadian exports to Germany amounted to only £540,000, while German exports to Canada were as much as £2,200,000. These figures give point to the following extract from page 39 of the last Colonial Conference Blue Book:—



## LOSS OF MOST-FAVOURLED-NATION TREATMENT.

"In connection with the discussion of the question of Preferential Trade the Conference also considered the point raised by the Commonwealth Government as to the possibility of the colonies losing most-favoured-nation treatment in foreign countries in the event of their giving a Tariff preference to British goods. As, however, the exports from the colonies to foreign countries are almost exclusively articles of food or raw materials for various industries, the possibility of discrimination against them in foreign markets was not regarded as serious, and as the exports from foreign countries to the colonies are mainly manufactured articles, it was recognised that if such discrimination did take place the colonies had an effective remedy in their own hands."

When we further consider that the "effective remedy" has been applied by Canada in the shape of a 33 1-3 per cent. surtax on the £2,200,000 of German exports to Canada, we realise that Canada has very effective means of self-defence at hand.

We have seen above that years passed before the Government showed signs of seriously resenting Germany's action. They agreed to the *modus vivendi* by virtue of which, in spite of our denunciation of the German treaty of 1865, we continued to receive most-favoured-nation treatment at German hands. As Mr. Asquith pointed out in his vigorous speech in the House on July 23rd:—

"Canada came under the operation of the German general tariff at the end of July, 1898. For two years from that date, until May or June, 1900, the only thing that was done by His Majesty's Government was the sending of a despatch by Lord Salisbury inquiring whether Germany was not treating the French, Spanish, and Portuguese colonies in a different manner from our colonies. The explanation of Germany was that she was bound by special treaties to give that treatment to those colonies. Lord Salisbury appears to have acquiesced in that explanation. At any rate, nothing further was done."

A declaration made in the Reichstag in 1900 by the Prussian Minister of the Interior hinted at the possibility of applying the German general tariff to the whole of the British Empire if Germany were denied most-favoured-nation treatment by a single British colony. Nevertheless, through the intervening years, and at the Colonial Conference, Mr. Chamberlain acquiesced in the common-sense view of the subject which has already been quoted. Indeed, so little did the Government quarrel with the kind of action taken by Germany that the new treaty with Persia in its original form actually contained a clause providing that—

"A British colony having a special customs tariff (*i.e.*, being an independent fiscal unit), which may cease to grant most-favoured-nation treatment to Persian imports, will no longer have the right to claim the same treatment for its own imports into Persia."

It comes to this, then, that in May, 1903, we were negotiating a treaty which distinctly empowered a foreign country to withdraw most-favoured-nation treatment from any British colony which, being an independent fiscal unit, ventured to give us a preferential tariff, while at the very same time Germany was

being attacked for doing that very same thing, and we were being told that unless Germany could be checkmated our Colonial Empire was imperilled.

## THE ATTITUDE OF THE COLONISTS.

### CANADA AND AUSTRALIA.

Our self-governing Colonies are for the most part dominated by protectionist influences. Their manufacturers fear British quite as much as foreign imports. There is no sign that they mean to let our goods come in free. They will give us some advantage over foreigners by having a lower scale of tariffs for our goods, but the Protectionists among them are quite determined that this scale shall still be high enough to protect their manufacturers.

Thus the Canadian Manufacturers' Association resolved that—

“While the Canadian tariff should be primarily framed for Canadian interests, it should nevertheless give substantial preference to the Mother Country . . . recognising always that the minimum tariff must afford adequate protection to all Canadian producers.”

This was copied in substance by the council of the Protectionist Association of Victoria, who first passed a resolution to the effect that they entirely approved of preferential arrangements with the Mother Country—and then

“Further resolved that every tariff alteration made for this purpose should be based on the principle that the Commonwealth protective duties continue to cover the difference between the cost of labour in Australia and that in other parts of the Empire, so that the fiscal preference given shall be by additional duties upon imports from foreign countries and by discrimination in the free list or merely revenue-producing items.”

Of the two, the Australian resolution wraps it up with the nicer regard for the feelings of the British manufacturer, but the effect is the same. Whatever “preference” the colonial Protectionists may give us they will not cease to be Protectionist, and it is against our manufactures principally that they will maintain the protective tariff wall.

It is also on record that the Canadian Finance Minister, in a statement made in the Dominion Parliament in April last, remarked that at the Colonial Conference last year Mr. Fielding frankly told Mr. Chamberlain that, however the tariff was re-arranged, Canada was not prepared to make any further reduction in the tariff which would operate to the disadvantage of the Canadian manufacturer. The matter is carried a step further by the President of the Quebec branch of the Canadian Manufacturers' Association, who, Reuter tells us, dealt at length with the Anglo-Canadian tariff question in his annual address on the 6th inst. After the usual reference to a “self-sustaining Empire,” the President said :—

“In the matter of a *quid pro quo* for favours received Canada must not offer anything tending to the destruction or curtailment of her manu-

facturing industries. Free Trade within the Empire is an impossibility, but Canada should offer a more substantial preference to Great Britain as regards goods not manufactured in Canada."

In an interesting letter the Ottawa correspondent of the *Economist* says that in going up and down the Dominion he finds the proposal for giving preferential treatment to wheat alone condemned in the strongest manner by Canadian supporters of Mr. Chamberlain. Manitoba, including the Territories, is the only part of Canada which exports wheat in any considerable quantity, and the population there is only one-eighth of the whole. To satisfy Ontario we should find it necessary to "prefer" its horses, live cattle, beef, bacon, cheese, fruit, eggs, butter, lumber, agricultural implements, leather, peas and oats, flour, canned meats, paper and pulp, doors and sashes, etc. !

It is too commonly assumed that there is solidarity of opinion in our Colonies on tariff questions. As a matter of fact, in every protectionist country there are diametrically opposed interests which use party politics as a means of achieving selfish commercial ends. The interests of the Canadian farmer are not those of the Canadian manufacturer, and while the former would be gratified by a British corn preference, the latter resents the reduction of Canadian duties on British manufactures which constitutes our *quid pro quo*. We have not yet been told how colonial manufactured articles would be treated in Mr. Chamberlain's scheme. Canadian bounty-fed pig-iron, for instance—how would we treat that? It is a comparatively small question now, but in the time to come, when, as Mr. Chamberlain reminds us, there will be 50,000,000 white men in our self-governing Colonies, what steps are to be taken to "protect" the British manufacturer from colonial competition? It is no reply to say that it will be long before colonial industrial competition is formidable. We are distinctly told that Mr. Chamberlain's policy is one that looks to the future. Looking to the future, then, it is useless to shirk the fact that just as the United States, once our colony, has become an industrial competitor, so also will Canada, Australia, and South Africa compete with the Mother Country in the markets of the world.

As to Australia, the Melbourne correspondent of the *Standard* says:—

"The Federal elections to be held here next December will turn upon the question of Protection and Free Trade. Mr. Reid, the Leader of the Opposition, has declared that he does not care to take office except he can do so at the head of a party empowered to reduce the Protective duties in the tariff to a revenue basis. . . . The Protectionist party, on the other hand, are anxious to avoid a renewal of the fiscal struggle. They know they can get no mandate from the people to increase the duties at present. They prefer to wait till vested interests have sprung up, as they always do, round a Protective tariff. Then will the clamour for increased Protection begin, and in the end prevail, as it has always done in Protective States.



"It must not be supposed that the Protectionist party, though rejoicing that England appears to be prepared to adopt Protection, will be ready to make any concessions in regard to duties on British manufactures. *It is the British manufacturer they fear.* Had it not been for the efforts of the Free Trade party the duties on British manufactures would have in many cases been twice as high as now. It is British hats, woollen goods, apparel, starch, furniture, and tobacco that the Australian Protectionist fears.

"Mr. Chamberlain said at the conference of Premiers that it was no use giving England an apparent preference over other countries if the Colonies still maintained an effective Protection in favour of the home manufacturer. The Australian Protectionist will insist, if he have the power, on maintaining and increasing that effective Protection against British goods.

"What the Australian Protectionist hopes is that the United Kingdom will impose duties on the food products and raw materials received from foreign countries, and remit them in the case of her Colonies. That he will joyfully accept, and he would also gladly increase the duties on manufactured goods received from foreign countries, but he will not reduce those duties in favour of England.

"The Press of Australia is, on the whole, opposed to the new departure. The general tone is that Australia has not asked the Mother Country to enter into a war of tariffs on behalf of the Colonies, and if she does so it will watch the result with many misgivings and little hope.

"The practical effect of the proposals here will be to strengthen the hands of the Protectionist party, which has always done its best to shut out the manufactures of England from Australia,

## PREFERENTIAL-TARIFFS IN SOUTH AFRICA.

It is a curious fact that South Africa's recent adoption of preferential tariffs has scarcely been noticed either in the Press or in Parliament, and it may be that the absence of comment is due to an uneasy feeling that what has happened will not greatly help the tariff reformers in pushing their schemes. The value of a preference lies in its spontaneous character. It must be granted willingly, and it must commend itself to the interest as well as the sentiment of the people concerned, or it had better not be given at all. But in Cape Colony sentiment and interest are both opposed to the change, and the colonists are up in arms at the way in which a fiscal revolution has been forced upon them. In Rhodesia, the Transvaal, and the Orange River Colony there is no means of gauging public opinion. Natal is the only colony where the preferential policy has been frankly accepted by the people.

The new policy had its origin in the Bloemfontein Conference summoned and presided over by Lord Milner last March, the avowed object of which was to arrange a Customs Union for the whole of British South Africa. The Cape delegates, with Sir Gordon Sprigg at their head, went to Bloemfontein pledged to have nothing to do with any proposals for a preferential tariff. Speaking in the House of Assembly in the previous session, Sir Gordon said: "Then, as to the question of preferential trade



within the Empire, he could give the House the assurance that the question of a preferential tariff would not be an article of the Convention." At the first meeting, however, it was proposed by the Prime Minister of Natal: "That this Conference approves the principle that preferential treatment should be given to the products and manufactures of the United Kingdom." Sir Gordon Sprigg, as he explained when the Customs Convention came before the Cape Parliament in June, told the delegates of the dilemma in which this motion placed him.

The adjournment took place, and "he then found that the delegates of the other Colonies were determined as one man that this question should be brought before the Conference, and that, if necessary, such a resolution should be carried and be embodied in the Convention." (Note that a majority of these "delegates" represented two Crown Colonies and a Chartered Company, or, in other words, Downing Street.) The choice, therefore, had to be made between standing out from the Customs Union altogether or accepting the Union with preferential tariffs incorporated.

The first alternative exposed Cape Colony to the risk of hostile tariffs at the hands of the rest of South Africa. The second could only be accepted at the expense of a breach of faith, and it further involved this unfortunate result—that the Cape Parliament would be debarred from discussing the preferential tariff on its merits, the larger issue of economic isolation and possibly the ruin that would follow from the rejection of the Convention being the decisive factor.

The Cape delegates decided for the second course, and the following resolutions were eventually adopted:—

"That this conference approves of provision being made in any Customs Union tariff for preferential duties on the products and manufactures of the United Kingdom, and also of any British colony or possession which may offer reciprocal privileges.

"That this conference recognises that in the present circumstances it is not practicable to adopt a general system of Free Trade as between the Mother Country and the over-sea British dominions, but recommends that if in course of time an export trade from South Africa should be developed, the Governments of the various colonies of South Africa should respectfully urge on His Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the colonies, either by exemption from or reduction of new duties now or hereafter imposed.

"That a due measure of Protection be afforded to the products and industries of South Africa.

"That effect be given to the resolution passed by the conference in favour of preferential treatment to the products and manufactures of the United Kingdom.

"That the preference take the form of a rebate of 25 per cent. of the *ad valorem* duty on all goods classified under an *ad valorem* rate, and that, in reviewing the free list and the specially rated list, the committee give special attention to the question of transferring certain articles to *ad valorem* rates with a view to giving a benefit to British trade."

It will be seen, then, that the Customs Union stands not only for preference on British goods, but that—

1. It recognises the principle of Protection—for the first time in the case of Crown Colonies.

2. It discriminates directly against foreign goods, in addition to giving a preference to British, thus laying the Colonies open to reprisals, and in particular inviting Germany to retaliate on colonial wool, 70 per cent. of which finds a market in that country.

3. It looks to England eventually for “reciprocal” treatment, *i.e.*, for the taxation of raw materials from foreign countries in order to give a preference to South African products.

The Convention embodying these principles was only adopted by the casting vote of the presiding officer in each Chamber of the Cape Parliament.

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## XV.—NOTEWORTHY UTTERANCES.

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MR. CHAMBERLAIN.

A.—*IN HIS RADICAL DAYS.*

1881.—A TAX ON FOOD WOULD MEAN A DECLINE IN WAGE.

“Lastly, Sir, is anyone bold enough to propose that we should put duties upon food? Mr. Ecroyd no doubt has the courage of his convictions. He has referred to the sacrifices which he would require from the working classes, and he does not hesitate to make the demand upon them that they should pay an extra price of 10 per cent. upon the most important articles of their daily consumption. Well, Sir, I can conceive it just possible, although improbable, that, under the sting of great suffering and deceived by misrepresentations, the working classes might be willing to try strange remedies, and might be foolish enough to submit for a time to a proposal to tax the food of the country, but one thing I am certain of. If this course is ever taken, and if the depression were to continue or recur, it would be the signal for a state of things more dangerous and more disastrous than anything which has been seen in this country since the repeal of the Corn Law. With the growth of intelligence on the part of the working classes, and with the knowledge they now possess of their own power, the reaction against such a policy would be attended by consequences so serious that I do not like to contemplate them. *A tax on food would mean a decline in wages.* It would certainly involve a reduction in their productive value—the same amount of money would have a smaller purchasing power. It would mean more than this, for it would raise the price of every article produced in the United Kingdom, and it would indubitably bring about the loss of that gigantic export trade which the industry and energy of the country working under conditions of absolute freedom has been able to create.”

*House of Commons, August 12th, 1881.*

## 1885.—THE WILL-O'-THE-WISP.

“The farmers will be very foolish indeed if they do follow Mr. Lowther after this will-o'-the-wisp. If they study history at all they will find that the condition of the farmer was never so hopeless, and that the state of the labourer was never so abject as when the corn was kept up at high value by a prohibitive or protective duty; when it was 64s., or even rose to 120s. a quarter. The food of the people was taxed to raise the rent of the landlord. None of the plunder found its way into the farmers' pockets, and I will tell them that unless they can secure permanence of occupation no artificial alteration in the price of wheat will help them one atom.”

*Ipswich, January 14th, 1885.*

## 1885.—“TO ENTRAP YOU FROM THE RIGHT PATH.”

“The owners of property—those who are interested in the existing state of things, the men who have privileges to maintain—would be glad to entrap you from the right path by raising the cry of Fair Trade, under which they cover their demand for Protection, and in connection with which they would tax the food of the people in order to raise the rents of the landlord. Protection very likely might, it probably would, have this result—it would increase the incomes of the owners of great estates, and it would swell the profits of the capitalists who were fortunate enough to engage in the best protected industries. But it would lessen the total production of the country, it would diminish the rate of wages, and it would raise the price of every necessary of life. . . . Property cannot pay its debt to Labour by taxing its means of subsistence.”

*Birmingham, May 5th, 1885.*

“I will say that he (Lord Salisbury) does intend, he and his friends, to put a duty upon corn, although he does not think it convenient at the present moment to say so, and, although he allows some members of his Government to argue in favour of it in one place, while he enjoins upon other members of his Government the duty of repudiating it in another. Remember, this is not a question upon which a Government can be allowed to have two voices. . . .

“If you are going to tax the bread of the people you will affect every household in the land, and you will throw back the working classes of this country to the starvation wages and to the destitution from which Mr. Gladstone and Sir Robert Peel have relieved them.”

*Birmingham, November 7th, 1885.*

“No doubt it is very irritating to persons in particular trades to have free imports competing with them while heavy duties are laid against them in foreign countries. But I will venture to assert here, and I will prove it in the course of this election, that it is to our advantage really in a Free Trade country, while other countries hamper themselves with protective duties.”

*Birmingham, November 7th, 1885.*

“Let us take one industry. I notice that Mr. Dumphreys, in one of his speeches, complained that framework—wooden framework—was imported into this country from Canada and Norway and Sweden to the detriment of English carpenters, and he proposed that a duty should be put on that manufacture also. In Germany, they followed this recommendation; they have put a duty on the manufactures of wood, and what do you think the result has been? Do you think the carpenters

and the cabinet makers have been benefited? No, not a bit. There are fewer houses built, and there is less work for the working men, and there are less wages paid. From a return which I have got, I find that the averages of 30,000 carpenters and cabinet makers in Germany are from 18s. to 19s. a week. The week's work is 72 hours, and in many cases 84, because they work on Sundays as well as other days of the week. ('Shame,' and 'We ain't going to have it here.') I hope not. But it is right that you should know these things, and that when these quack remedies are proposed to you, that you should understand what is the result of taking them."

*Birmingham, November 10th, 1885.*

#### PROTECTION UNNECESSARY.

"I understand the desire—I will go further, and say the need—for various pursuits and occupations; but I say that in the case of Canada any anxiety on this score is surely a little premature. The first object is to get the population on the land. When you have multiplied those industrious producers you will find you have created a vast population of consumers; and powerful industries, suited to your local interests, will spring up and prosper whether there be any tariff or not."

*Toronto, December 30th, 1887.*

#### B.—IN HIS COLONIAL OFFICE DAYS.

##### 1896.—AN UNFAIR BARGAIN.

"In the proposal [*of an Imperial Commercial Union*] which has hitherto been made there is no sufficient *quid pro quo*; the advantage offered is not enough to induce this country to take the certain loss and the possible risk which would be involved in revising altogether its present commercial policy. Having regard to the amount of the colonial duties which are at the present time levied upon British produce, it is evident that a fixed addition such as is suggested would be a much smaller preference in the case of goods going to the colonies than it would be in the case of goods coming from the colonies to this country. The percentage, therefore, would be much more in favour of the colonies than it would be in favour of the United Kingdom. A second point, which is much more important, is that our foreign trade is so gigantic in proportion to the foreign trade of the colonies that the burden of an arrangement of this kind would fall with much greater weight on the United Kingdom than upon our fellow-subjects in the colonies."

*Canada Club, March 25th, 1896.*

#### A TRUE ZOLLVEREIN.

"We have therefore, if we are to make any progress at all, to find a course in which there shall be give and take on both sides, in which neither side will pedantically adhere to preconceived conclusions, and in which the separate interests of the parts shall be subordinated to the good of the whole. I find the germs of such a proposal in a resolution to be submitted by the Toronto Board of Trade for the creation of a British Zollverein or Customs Union, which would establish at once practically Free Trade throughout the British Empire, but would leave the separate contracting parties free to make their own arrangements with regard to duties on foreign goods, except that this is an essential condition of the proposal—that Great Britain shall consent to place moderate duties upon certain articles which are of large production in the colonies. Now, if I have rightly understood it, these articles would



comprise corn, meat, wool, and sugar, and perhaps other articles of enormous consumption in this country, which are at present largely produced in the colonies, and which might under such an arrangement be wholly produced in the colonies and wholly produced by British labour. On the other hand, the colonies, while maintaining their duties upon foreign importations, would agree to a free interchange of commodities with the rest of the Empire, and would cease to place protective duties on any product of British labour. That is the principle of the German Zollverein; that is the principle which underlies federation in the United States of America; and I do not doubt for a moment that if it were adopted it would be the strongest bond of union between the British race throughout the world. I say that such a proposal as that might commend itself even to an orthodox Free-trader. It would be the greatest advance that Free Trade has ever made since it was first advocated by Mr. Cobden, since it would extend its doctrines permanently to more than 300,000,000 of the human race."

*London, June 8th, 1896.*

"This proposal requires that we should abandon our system in favour of theirs, and it is in effect that while the Colonies should be left absolutely free to impose what protective duties they please both on foreign countries and upon British commerce, they should be required to make a small discrimination in favour of British trade, in return for which we are expected to change our whole system and impose duties on food and raw material. Well, I express again my own opinion when I say that there is not the slightest chance that in any reasonable time this country or the Parliament of this country would adopt so one-sided an agreement. The foreign trade of this country is so large, and the foreign trade of the Colonies is comparatively so small, that a small preference given to us upon that foreign trade by the Colonies would make so trifling a difference—would be so small a benefit to the total volume of our trade—that I do not believe the working classes of this country would consent to make a revolutionary change for what they would think to be an infinitesimal gain."

*London, June 9th, 1896.*

"What is the charge made against British industry? Germany is the country which we are to fear. Germany is the country which is to undermine our industry, and which has made this astonishing progress. Germany, we are told, is making inroads upon our trade as the sea encroaches upon our shores. Well, I am not certain that the sea does encroach upon our shores. But I would prefer to reply to charges of this kind by facts and figures rather than by rhetorical argument. Let us look, then, at the course of trade as between Germany and this country, and when we do so I think we shall find that, although there is reason for watchfulness, there is no reason at all for despairing—and there is hardly reason for serious alarm—certainly nothing of a kind which would make Mr. Chantrell's hair stand up on end. . . . While it is most important that this question should have your careful and continuous attention, there is no reason whatever for putting forward alarmist views of our position, which are greedily accepted abroad, and which lead our foreign friends and competitors to take altogether an erroneous view of the commercial power and the commercial influence of Great Britain."

*Birmingham, November 13th, 1896.*

"We ask you who come from the Colonies to attach yourselves closer to us. The benefit is not all on our side. It is not to a decrepit ruin that you are asked to cling. There are no signs here of waning life or of decaying greatness. The continued growth of this country is almost as remarkable as the growth of those sister nations that we call our colonies. Surely, then, it is better for your commerce and for our commerce that we all alike should share in the free interchange of commodities between 300 millions of people than that we should be engaged in setting up barriers one against the other, and in exciting a competition from which all will be sufferers."

*London, June 10th, 1896.*

"We must draw closer our internal relations, the ties of sentiment, the ties of sympathy—yes, and the ties of interest. If by adherence to economic pedantry, to old shibboleths, we are to lose opportunities of closer union which are offered to us by our Colonies; if we are to put aside occasions now within our grasp, if we do not take every chance in our power to keep British trade in British hands, I am certain that we shall deserve the disasters which will infallibly come upon us."

*Birmingham, May 16th, 1902.*

"I say that, without binding myself for all time or without shutting my eyes to possible further fresh information, so far as I can see, it will not be necessary to put any tax at all on *raw material*. And that for obvious reasons. It will be very difficult to choose the raw materials which would be suitable for this purpose. If a tax were put on raw material it would have to be accompanied by drawbacks on the finished exports, and although that is not at all impossible it would be a complicated way of dealing with a matter which could be dealt with much more simply. Therefore we come to this—if you are to give a preference to the colonies—I do not say that you are—you *must put a tax on food*."

*House of Commons, May 28th, 1903.*

"I am prepared to go into any mechanic's house, or any labourer's house, or to address meetings of workmen or labourers, and taking certain hypothetical calculations—for instance, that there was to be 1s. or 2s. on corn—say to them, 'Now this policy, if it is carried out, will cost you so much a week more than you are paying at present for your food. I set aside altogether any economical question as to whether they would or would not have to pay the whole of the duty that might be imposed. I will assume, for the sake of my argument, that you pay every penny of the duty, and, having assumed that, I will tell you what the cost will be. I know how many loaves you consume, how much meat you eat, and know what you take of this, that, and the other on which it may be proposed to put a duty; and I will give you a table from which you can tell for yourself how much extra wages you must get in order to cover the extra expenses of living. And that is the argument to which hon. gentlemen opposite will have to give their serious attention. If they can show that the whole of this business will mean greater cost of living to the working men and no increase of income, well, Sir, I have not the least doubt whatever that all their most optimistic prophecies will come true. But if I can show that in return for what I ask I will give more than I take, then, poorly as they may think of my judgment, I may still have a chance.'"

*House of Commons, May 28th, 1903.*

"Suppose you put a duty not for the purpose of Protection—not at all—but for the purpose of gaining these advantages—having something to give to your Colonies—suppose you put a duty on these products, I suppose it will produce a very large revenue. We do not want that revenue for the normal expenditure of the country; therefore we shall have a large sum at our disposal. Then to whom shall we give that sum? In the first place, who is going to pay the tax? The working-classes are going to pay three-fourths of it, because it is the calculation in all taxes on consumption that the poorer classes pay three-fourths and the well-to-do one-fourth. That being so, according to my mind it is a matter of common justice that the working-classes are entitled to every penny of the three-fourths. . . . Therefore, I should consider that any Government which imposed these duties—in addition to all the collateral advantages to which I have referred—would have a very large sum at their disposal which they ought to and must apply to social reform. . . ."

*May 28th, 1903.*

"I have already indicated my opinion that a system of Preferential tariffs is the only system by which this Empire can be kept together."

*Constitutional Club, June 26th, 1903.*

THE OBJECTS OF TARIFF REFORM.—"(1) Closer union with the colonies by means of a preferential tariff, and an endeavour to make the Empire self-sufficing as regards food supply.

"(2) The employment of the tariff as a weapon to secure greater reciprocity with foreign nations, or, failing such an arrangement, to prevent the loss of our home and Imperial markets under the competition of protected countries by retaliating upon them the treatment they mete out to us."

*Letter to Mr. Pearson, September, 1903.*

#### MR. BALFOUR.

"I think, to indulge in pessimistic prophecies in regard to the future upon statistics of the import of foreign manufactured goods is, perhaps, unnecessary. The theory is this. A great foreign trade is necessary for this country; it is a mark, it is a cause, and it is a proof—it is both the cause and the proof—of national prosperity. If you find great importations of foreign goods, is not that a proof that your foreign export trade is in danger? That is the argument. I think, as so stated, the argument is fallacious. A great foreign export trade carries with it as a necessary, as a mathematical consequence, a corresponding import trade. No doubt if your export trade is on a small scale you may conceive that imports from abroad of raw goods, of raw produce, for the manufactured articles, may be sufficient to pay for it, but if you desire, as we all desire, that the export trade of this country should be a great trade, this on the face of it means, if that trade is to exist, there must be an import trade to pay for it. After all, we must be paid in goods; we can be paid in nothing else, and we must not only be paid in goods for what we export, but we must be paid in goods for the interest on the capital which we have invested abroad, if we be paid at all, which I presume all desire; and, therefore, there must be a certain import trade if there is to be—on the hypothesis that there is to be—a great export trade. That, I take it, is not a subject upon which there can be any controversy, which really is a mathematical proposition, and a question simply of the balance of accounts. I will put it further, and I would say that it is really unreasonable to be alarmed at the growth of manufactures by foreign countries. That growth is inevitable. Like it or dislike it, do not let us grumble at what is really the result of inevitable laws. You have in America, you



have in Germany, you have in every country where the population is growing—you have an increasing, you have a relative augmentation of the population in the towns to the population in the country districts. The populations in the towns, of course, must manufacture, first for themselves, possibly for other people, and they will grow in manufactures, they will import machinery; they will use their brains, their hands, and capital for turning out something besides raw produce, and that is a thing which no Englishman has a right to complain of, of which I am convinced no Englishman does complain, and which is absolutely an inevitable incident of national growth. I do not personally think that, on the face of it, it is a subject for regret in any way. If I were engaged in selling goods I should desire that my customers should be prosperous, and there is no greater mistake, either in international argument or in social argument, than to suppose that the prosperity of "A" must necessarily be gained at the expense of "B." This is in many respects a very ill-contrived world, but it is not so ill-contrived as that. What one gains is not lost by the other; but, on the contrary, as within the limits of one country the prosperity of one class is so far from being a cause of want of prosperity to another class that all grow in wealth and prosperity together, so do I firmly believe that as every nation grows in wealth and prosperity so it will help on the wealth and prosperity of its neighbours. Now, those are general considerations which make me extremely distrustful of any deductions that may be made from statistics, from mere statistics of exports and imports, even though upon the face of them they may appear unfavourable. I believe, as a matter of fact, our statistics at the present time are not unfavourable, but at any rate it is not upon that that I would base any fear for the future of this country."

*Sheffield, November 19th, 1896.*

"I believe with you that closer fiscal union between the Mother Country and her colonies would be good for the trade of both, and that if such closer union could be established on fitting terms its advantages to both parties would increase as the years went on, and as the colonies grew in wealth and population."

"If there ever has been any difference between us in connection with this matter it has only been with regard to the practicability of a proposal which would seem to require on the part of the colonies a limitation in the all-round development of a protective policy, and on the part of this country the establishment of a preference in favour of important colonial products. On the first of these requirements I say nothing; but if the second involves, as it almost certainly does, taxation, however light, upon foodstuffs, *I am convinced with you that public opinion is not yet ripe for such an arrangement.* The reasons may easily be found in past political battles and *present political misrepresentations.*"

"If you think you can best serve the interests of Imperial unity, for which you have done so much, *by pressing your views on* Colonial Preference with the freedom which is possible in an independent position, but is hardly compatible with office, how can I criticise your determination? The loss to the Government is great indeed; but the gain to the cause you have at heart may be greater still. If so, what can I do but acquiesce?"

"There could be no more conclusive evidence that in your judgment, as in mine, the exclusion of taxation on food from the party programme is, in existing circumstances, the course best fitted practically to further *the cause of fiscal reform.*"

*Letter to Mr. Chamberlain, September, 1903.*



## XVI.—CONCLUSION.

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The arguments advanced on behalf of Free Trade in this volume are purely economic. But there is another side to the question which should not be overlooked. The Protectionist argument is irresistible to the man who looks at the question from the point of view of his own industry alone. Every man, as Cobden said, is a Protectionist for his own trade. Each trade if it could obtain Protection for itself alone would stand to gain by a duty which would suppress foreign competition. It is only when we look at national industry as a whole that we realise that, while each trade would gain by being able to sell dearer, each would also lose by having to buy dearer, and, as argued in detail in the foregoing pages, the loss outweighs the gain. In its essence, therefore, Protectionism is an appeal to the sectional, Free Trade to the national interest.

Looking beyond the nation the contract remains essentially the same. The Protectionist can only see one nation's gain in another's loss. The Free-trader, like Mr. Balfour when he uttered the words prefixed to this volume, sees that in the truer theory of trade each nation as a whole gains by the advantage of its customers, even though they be also in other respects its rivals. The Protectionist appeals to crude anti-foreign feeling, the Free-trader to a rational good feeling among nations. The conception of a Customs' Union with the colonies has, not unnaturally, attracted many minds as a possible basis for a far-reaching union of the English-speaking people. No one will deny the grandeur of this idea. But the humanitarianism of the men of Cobden's time was certainly not less far-reaching. Free Trade has not, indeed, brought universal peace, but its adoption by a single European nation ushered in a period of sixty years marked by fewer European wars than any former period of equal length in history; and to this day it is the maintenance of Protective tariffs by other nations in which class or trade interests retain the upper hand which makes the expansion of the white nations a source of danger to their mutual peace. The fact that the most rapidly expanding empire develops its new territory, as Mr. Chamberlain once said, "as trustees of civilisation for the commerce of the world," has immensely mitigated this rivalry. The adoption of Free Trade by Great Britain opened the one practicable gate to permanent peace, and its abandonment would quench the hopes and paralyse the efforts of those who work for international goodwill throughout the world.

## APPENDIX A.—ON DUMPING.

The general statements made on p. 54 are justified by the following evidence drawn from the Board of Trade Memorandum :—

1. That it is a part of the policy of German and American trusts to sell goods for export at prices lower than those which they obtain at home.

a. As regards Germany, we quote the following (p. 311) :—

It is of interest to note that the coke Kartell\* has been in the habit of fostering the export trade, not only by sending coke abroad at a lower price than that obtained in the home market, but also by allowing a substantial bounty (1·50 marks per ton) to blast-furnace owners making pig-iron for export.

In November, 1900, the Kartell of rolled wire manufacturers promised its clients an export bounty of 15 marks a ton (on condition that the customer bought all his wire from the Kartell).

The price of wire for nails at the end of 1900 was—

I. Home trade :—

A. For sale to German consumers ... ..	185 marks per ton.
B. For sale in Germany, but to be exported from Germany ... ..	170 „ „

II. Foreign trade :—

Export price of wire Kartell ... ..	115 „ „
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b. As regards America. The following is the conclusion of the Board of Trade on a mass of evidence given by American exporters :—

“To arrive at any really definite conclusion in relation to the export policy of the American Trusts upon evidence such as is alone available in the present instance, is by no means easy. On the whole the general impression, which an attentive perusal of the details leaves upon the mind of the investigator, is that, while the manufacturers of the United States, even with trade as good as it has recently been in their own country, send away to foreign destinations a not inconsiderable proportion of the commodities which they produce, these goods have in numerous instances been sold abroad at lower prices than in the United States. That their foreign prices have been, to a more or less material extent, lower than their domestic prices, the Trusts in some cases allow to be the fact, but not infrequently appear reluctant to admit ; nor, under existing circumstances, can they reasonably be expected to volunteer very exact information on this point. But a comparison of the recent trend of prices in the United States and in other countries, especially in the United Kingdom, suggests a doubt whether part at least of this export trade of the Trusts could have been carried except by granting to foreign purchasers prices lower than those ruling in the United States. It is to be remembered, however, that the last few years have been years of active trade in the United States, when the inducement to reduce export prices in order to maintain output is less than would be the case in times of depression” (p 326).

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\* An association of producers for marketing their products, sometimes also for the purchase of raw materials.

2. "That in essentials the same policy is pursued by exporters of all countries, both British and foreign, whether combined in trusts or under free competition, and whether or not protected as to their home markets."

The evidence of Mr. Schwab (formerly President of the United States Steel Corporation) is here of interest (p. 319):—

"*Q.* (By Mr. Farquhar.) In selling your export at a lower price, is not the business reason that you endeavour to gain the market, or sell low to keep the market?—*A.* At this time you sell low to keep the market that you are already in. Anyone who has tried exports will realise the difficulty of starting an export business. Once developed, you do not want to shake it off and start it up.

"*Q.* So as a business reason you must maintain it at lower rates?—*A.* Just at this time.

"*Q.* At this time?—*A.* I do not want to say that I believe that this country is not in a position, by reason of its raw material, and by reason of its superior facilities for manufacture, to do a great export business at a profit. I do not mean to say that export business will not always be profitable; but not sufficiently profitable to justify manufacturing and wages and everything, the same as we are doing in the home business.

"*Q.* The question leads to another one. Is it a fact generally true of all exporters in this country that they do sell at lower prices in foreign markets than they do in the home market?—*A.* That is true, perfectly true, and you can realise that yourself. If a man comes here to sell you goods from England, they may be of the same class and quality, but you will give preference to your home manufacturer. You have to make the product attractive in quality and price to sell it abroad.

"*Q.* Now, in your own knowledge, is not that the manner of doing business on the part of every European country, as well as America?—*A.* Yes.

"*Q.* In their export trade?—*A.* Undoubtedly; no question about that; to a very much greater extent than here.

"*Q.* Would you say that Great Britain has acquired and maintained most of her market advantage by that trade?—*A.* Undoubtedly.

"*Q.* She has sold in the export market irrespective of home prices, so as to gain the market and control it?—*A.* Not always true of England; no.

"*Q.* To kill competition?—*A.* Yes."

3. "That the dumping policy may injuriously affect certain industries in the countries which receive the cheap goods."

4. "That it equally or more than equally benefits other industries which use the cheap goods or materials or appliances."

These points may be taken together.

The Board of Trade sums up the effects of German dumping in this country as follows:—

"With respect to the effect of this German invasion, the results have been different in different directions. So far as concerns the iron trade, the possibility of obtaining cheap German steel has materially reduced the demand for pig-iron; and British makers of raw steel have by no means had things all their own way. On the other hand, manufacturers, who have been using steel as their raw material (*e.g.*, makers of tin-plates and sheets), have found the abundance of low-priced steel of advantage to the profitable pursuit of their industry, and, indeed, would

at certain times have been placed in a position of some difficulty, if they had not been able to reckon on foreign supplies for keeping their works in full activity" (p. 308).

The same Memorandum quotes from *Ryland's Circular* the following passages at dates when the dumping of German iron and steel was particularly active :—

"At the end of 1901, *Ryland's* resumes the facts thus : 'About August the German iron trade got into a very bad state, and a crisis occurred, the German banks being in heavily. Iron and steel manufacturers were urged all they knew to "raise the wind." The scarcity of English and Scotch steel billets and blooms was their opportunity, and during the months of August, September, October, and November, large quantities of German steel were sent into the country at prices which left a good profit for our manufacturers here when they were rolled down. This German steel found its way to every steel-making centre. . . . Many sheet mills would have had to have stopped in consequence of the high price of pig-iron if it had not been for German steel, and it cannot be said that the late advent of German steel has done any harm, but that it has actually supplied a want' (p. 346).

"The last number of *Ryland's* published in 1902 (December 27th) gives the following account of the position in regard to German imports : 'German steel has continued to play a prominent part in bars, sheet, and other rolled sections, and has been profitably worked up in nearly every district in England, although it has not yet obtained an entrance into the tin-plate works of South Wales, the quality not being suitable. A very large quantity has been sold during the half-year, and more than during the previous half. It has to a very great extent knocked forge pig-iron out of the market, and a great decrease in puddling has consequently taken place. Works in South Staffordshire and elsewhere are replacing the old iron rolling machinery for steel rolling machinery of the newest style. The time has been opportune for this using of steel in place of iron. German steel is, we may say, close to us, and the supply being good and cheap, it suits us. Merchants and agents also find it profitable to sell, and are doing their best to do so as long as it lasts, and the probability is that it will last long. The railway companies have also been fighting for the traffic and have reduced the freight on steel billets, blooms, and sheet bars from 16s. to 12s. per ton from Antwerp to South Staffordshire. The same thing applies to the Lancashire and Yorkshire divisions of the trade where large quantities are worked up into sheets and finished bars. Nor do these finish the districts where the demand is great, for we omitted to mention the sheet makers of South Wales, which are nearly all using German sheets. . . . The price of German steel billets and sheet bars delivered in South Staffordshire has gradually fallen from £4 15s. to £4 17s. 6d. in July to £4 8s. to £4 10s. in December' (p. 350)."

Of the American "dump" in 1899 the Board of Trade speaks as follows :—

"The American imports included a great variety of materials, including pig-iron, iron bars, raw steel, bedstead angles, and ship-plates. These articles were thrown upon our market at prices which were in many cases much below those quoted by our own makers ; and there can be little doubt that these materials were sent over here rather with the object of keeping United States works employed than of earning any substantial profits for their owners.

"With regard to the effect produced upon British trade by the export policy of the American manufacturers of iron and steel, much the same



observations will apply as have already been made in relation to the German imports of the materials in question. The American imports were by no means of equal advantage to all classes of British trade. Blast-furnace owners, the producers of manufactured iron, and the makers of raw steel could not be expected to welcome the American invasion, which certainly restricted the demand for our pig-iron, and exercised a not unimportant influence upon the price of manufactured iron, and of steel both raw and manufactured. But the large class of industries which made use of the American materials for working up—our tin-plate makers, for example, our bedstead manufacturers, and our shipbuilders—probably took a less unfavourable view (p. 326).

“Other trades in the country which does the dumping often suffer by the competition of the country which gets the dumped goods.”

Evidence of the injury done to German trade by German “dumping” is very fully given in the Memorandum. Compare the following passages:—

“a. At the head of his chapter on the year 1902 M. Sayous prefaces a quotation from a German source (not indicated), which gives expression to the significant complaint that ‘our foreign customers are able to purchase from the German mines, blast-furnaces and steel works at prices materially lower than we can buy, and on the basis of these purchases of materials the state of the foreign market for our finished manufactures becomes increasingly bad’ (p. 304).

“b. One striking result of the dumping policy of the Kartells, of which some examples have already been given, but which deserves further illustration, is that by supplying manufacturers abroad with materials at low prices, the German syndicates make it possible for these foreigners to compete on very favourable terms with their rivals in Germany in regard to the sale of finished products.

“So in regard to the paper-making trade, M. Raffalovich relates that ‘In order to clear the home market of stocks, the Kartell presses the export trade; paper is offered for export at 10 to 15 per cent. less than the home trade price; the wholesale dealers at Hamburg get for 19 or 20 pfennigs what is sold at 22 or 23 to German buyers in the home trade. But since some of these German buyers are manufacturers of paper goods, who export one-half of their output, they find themselves in a condition of inferiority in foreign markets which are supplied by the Kartell on better terms than themselves.’

“In the iron trade we find that a member of the Association of German Foundries writes: ‘Foreign boiler-making shops obtain plates at 3 marks per 100 kilog. less than German works are paying, even when the German boiler-makers declare that the plates are to be used for export and offer to prove the fact that these identical materials are in fact exported.’

“‘The export at low prices of half-finished materials continued (in 1902), enhancing the difficulties of the situation. In the first half of 1902 these exports amounted to 262,494 tons against 48,264 in 1901, and 10,463 in 1900.’ ‘While billets are sold in Germany at 95 marks, they are sold at 74 f.o.b. Antwerp. The rolled-wire industry now finds itself in the following position: the Belgian works get their half-finished steel at 74 marks, delivered in their warehouses; the German factories, if they try to compete with the German factories in the Belgian market, pay 95 marks, less 10 marks bounty on export, but *plus* 5 marks freight,

Accordingly, the cost of production, so far as concerns this item, is higher by 16 marks for the German manufacturers than for their Belgian competitors.' At the same time, the Kartell of the rolled-wire industry is said to sell abroad at very low prices. 'It is stated that considerable quantities were sent to Antwerp at 82 marks per ton, the German home trade price being 130 marks per 1,000 kilog. The Kartell itself, in order to allow its customers to reckon on a specific amount when they are exporting, guarantees them, if they follow the rules laid down by the Düsseldorf Office, an export premium which will reach 12.50 marks per ton of goods, as a maximum, but will in no case exceed the difference between the home trade price and the foreign price.'

"When rolled wire is made into wire nails, then the Wire Nail Syndicate sells one-half of all the nails so made abroad at 13 marks, though the cost of the rolled wire in Germany is itself 13 marks, so that there is a loss on each nail sold abroad, to meet which a bounty is paid out of the prices obtained in the home trade."

"The report for 1902 of the Cologne Chamber of Commerce 'calls attention to the considerable difference between the home and foreign prices of German wire manufacturers. At home the prices for half-finished good were regulated by a Kartell, the consequence being that goods were exported at from 8 to 12 marks cheaper than they could be obtained in Germany. German half-manufactured wire goods, for instance, are sold in the trade centres in England at 10s. a ton less than in Germany. The report complains that, as the result of this, the German finished wires cannot be exported to Great Britain.'

"The members of the Kartell of the heavy plate trade, who buy steel from the Kartell of the half-finished steel trade, complain 'that their Belgian rivals, who are working up German materials, have a cost of production lower than their own by 10 marks.'

"In October, 1902, the Kartell of the half-finished steel trade lowered its price by 5 marks. But the German manufacturers, who work up the half-finished steel products, were by no means satisfied, and asked for a reduction of 7.50 marks, alleging that in numerous cases, which they specified, sales had been made abroad at very low prices, far below the prices ruling in Germany (*e.g.*, blooms f.o.b. 80 and, subsequently, 72 marks), which made it possible for the Belgian and English rolling mills to lower their prices, and quite ruined the foreign market, with consequent evil results to the German manufacturers who work up half-finished metal products.

"The results of the German export of plates at prices below the German home trade rates upon the German industries which use plates have been very bad. 'The building of boats for the Rhine river navigation has passed over almost entirely to Holland, because the works in the Rhenish-Westphalian district producing heavy plates deliver in Holland at lower prices than in the interior of Germany.'

"The manner in which prices are fixed by the German Kartells is well illustrated by the following remarks made in a memorandum on the importation into Germany of duty free materials for shipbuilding from 1898-1901, by H.M. Consul-General at Hamburg:—

"The Consul writes: 'Supposing, for instance, the British price of iron plates, free on board in the Tyne, to be £5 per ton, and the freight for the same to Hamburg 5s. in addition, and that consequently the price of British plates at Hamburg would be £5 5s., the German iron producer would fix the price at which he would sell to the German shipbuilder at Hamburg at £5 3s. to £5 2s., so that the German article would still be 2s. to 3s. cheaper than the British. At the same time, the German iron

producer would, in order to favour his export trade, fix the price of the same plates delivered by him in the Tyne at £4s. 19s. per ton, that is to say, 1s. lower than the British quotation.

“Thus the British shipbuilder on the Tyne can obtain German plates at a lower price than the German shipbuilder in Germany itself, and at a lower price also than asked for British plates; whilst the German shipbuilder, though paying a higher price than the British shipbuilder, is always able to obtain German plates in Germany at a lower price than British (p. 305).

“c. In Germany itself it has been stated that German manufacturers, having to pay more for their materials than what foreign manufacturers pay to the Kartells for the same articles, and ‘being unable to make any saving on goods, are obliged to cover themselves by cutting wages (e.g., what happened in the case of the minor metal trade employers in the Berg district)’ (p. 306).

“d. Mr. Francis Oppenheimer, H.M. Consul at Frankfurt-on-Main, reports June 20th, 1903:—

“Under cover of the protectionist duties the syndicates were enabled to keep up prices at home in spite of the limited demand, whereby the several works were placed in a position to reduce their prices for the world’s market, and were enabled more easily to compete. The difference of prices, however, fixed by the same works for sales at home and sales abroad became so great that it produced very strong comments even in the Diet. Among all the syndicates those controlling raw material and half-finished goods proved themselves the most powerful and the hardest masters. They sold raw material and half-finished goods abroad at low prices, so that the home industries which worked off such raw materials, etc., were severely handicapped. These asserted (and not without reason) that the consumers of German material in foreign countries, especially in Holland and Belgium, were by these prices placed in such an advantageous position that it was most difficult, if at all possible, to compete against their prices. The syndicates themselves admitted the seriousness of the position by expressing their willingness to grant certain export bonuses, which, however, the industries concerned pronounced inadequate. Some cases actually transpired in which German “finishing” manufacturers had to decline orders owing to the exorbitant prices of raw material, which orders subsequently passed to Holland, Belgium, and the United Kingdom” (p. 307).

From this evidence it appears that “dumping,” as it exists, is in no sense comparable to the case which we imagined above as conceivably justifying State interference. Dumping is analogous to the sale of bankrupt stock, which causes a certain dislocation of business, whereby some gain and others lose. It injures the nation which practices it more than the nation upon which it is practised, if we may judge from the evidence accumulated by the Board of Trade. It has roused in Germany and the United States opposition from consumers at least as keen as the complaints of producers in this country. To meet these spasmodic disturbances, which from time to time affect injuriously one or other of our industries, by a general and permanent tariff would be a mistake parallel to that of preventing the introduction of labour-saving machinery on account of the temporary hardship inflicted on displaced workmen.

## APPENDIX B.

---

Mr. Chamberlain's actual proposal, made at Glasgow on October 6th, was as follows:—

### (A) FOOD TAXES.

To impose

2s. a quarter on foreign corn, except maize.

A corresponding tax on flour such as "to give a substantial preference to the miller."

5 per cent. on foreign meat (except bacon) and dairy produce.

To remit

$\frac{3}{4}$  of the tea duty (*i.e.*,  $4\frac{1}{2}$ d. per lb.).

$\frac{1}{2}$  of the sugar duty (*i.e.*,  $\frac{1}{4}$ d. per lb.).

A corresponding reduction on cocoa and coffee (*i.e.*, 1d. a lb. on the manufactured article).

### (B) MANUFACTURED ARTICLES.

Calculating that his remissions would cost the Exchequer £2,800,000, he proposes an average 10 per cent. duty on manufactured imports, higher or lower according as the article is more or less finished.

In the list of articles he proposes to tax are included leather, paper, and all the half-finished materials given on p. 32-34.

This is, therefore, a tax on industry. Does he propose a drawback on the exports of them? If so he must propose a system of bonding on a large scale, which would be extremely difficult to organise.

### THE EFFECT OF THE FOOD TAX.

Mr. Chamberlain gives the following calculations as to the effect of the proposed additions and remissions on the workman's budget:—

Per Week.	Agricultural Labourer.	Urban Workman.
Cost of new taxes (in farthings) ...	16 $\frac{1}{2}$ ...	19 $\frac{1}{2}$
Gain from remissions ...	17 ...	19 $\frac{1}{2}$

We cannot follow this calculation. The following figures are calculated from the workmen's budgets given in the Memoranda, pp. 210-213:—



*Cost to Agricultural Labourer.*

	d.
Bread, flour, oatmeal, and rice ... ..	2'65
Beef and Mutton ... ..	'75
Pork ... ..	'23
Lard, Margarine, and Dripping ... ..	'26
Cheese ... ..	'31
Butter ... ..	'55
<hr/>	
Total Cost ... ..	4'75

In this table the tax on flour is taken at 10d. per cwt. (corresponding to 2s. a quarter on wheat), and 1 lb. of bread is taken as containing  $\frac{7}{10}$  of a lb. of flour. Beef and Mutton (*Import Prices*) are taken at 4½d. per lb., pork at 4¼d., cheese at 5¼d., butter at 11d., lard and margarine at 5¼d.

No allowance is made for eggs, nor for the "substantial preference on flour to be given to the miller."

*Gain to the Agricultural Labourer.*

	d.
Tea ... ..	2'1
Sugar, syrup, and treacle... ..	1'5
Cocoa and coffee ... ..	'16
<hr/>	
	3'76

*Net Loss to Agricultural Labourer,*

1d.

That is, Mr. Chamberlain's taxation will cost the agricultural labourer 1¼d. more than the present food taxes on the existing *war basis*. If these were reduced to a peace basis the labourer would save :—

- ½d. per lb. on very nearly 6 lb. of sugar, syrup, treacle, and jam. Say, not 3d., but 2¾d.
- 2d. per lb. on 7½ oz. of tea, or not quite 1d.
- Total saving, say 3½d.

Thus we get the following comparison for the agricultural labourer's budget :—

<i>Net Loss.</i>	d.
Mr. Chamberlain's scheme compared with existing war taxation ... ..	1
Existing war taxation compared with normal peace taxation ... ..	3½
<hr/>	
Excess of cost under Mr. Chamberlain's scheme as compared with normal peace taxation ... ..	4½d.

<i>Cost to the Urban Workman.</i>				<i>Gain to the Urban Workman.</i>			
			d.				d.
Bread and flour	...	...	2·7	Tea	...	...	2·795
Meat	...	...	1·7	Sugar	...	...	1·87
Eggs, butter, and cheese	...	...	1·5	Cocoa*	...	...	·24
			<hr/> 5·9				<hr/> 4·905

Net loss, say 1d.

With taxation on a peace basis the urban workman would save—

On sugar, 5 lb. at $\frac{1}{2}$ d.	...	...	2½d.
On tea, $1\frac{1}{4}$ lb. at 2d.	...	...	1¼d.
On jam and syrup, say	...	...	<hr/> ¾d.
Total	...	...	4½d.

Hence the total cost of Mr. Chamberlain's taxation to the urban workman would be 5½d.

The effect of Mr. Chamberlain's proposals (a) on the consumer and (b) on the revenue has been estimated as follows by Mr. L. G. C. Money :—

“THE CORN TAX OF 2S. PER QUARTER.  
(Maize excluded).”

Our imports in 1902 were :—

					cwts.
Foreign	...	...	...	...	132,000,000
Colonial	...	...	...	...	35,000,000
Home-grown	...	...	...	...	160,000,000
					<hr/> 327,000,000

- (1) The Treasury would receive 6d. per cwt.  
on the foreign supply only ... .. £3,300,000
- (2) The consumer would pay 6d. per cwt. on  
the whole supply ... .. 8,175,000
- (3) *But the Colonist would get only* ... .. 875,000

THE MEAT TAX OF 5 PER CENT.  
(Bacon excluded.)

Our imports in 1902 were :—

Foreign	...	...	...	...	£27,000,000
Colonial	...	...	...	...	7,500,000
Home-grown, say	...	...	...	...	<hr/> 45,000,000
					£79,500,000

- (1) The Treasury would receive 5 per cent.  
on the foreign supply only ... .. £1,350,000
- (2) The consumer would pay on the whole... .. 3,975,000
- (3) *But the Colonist would only get* ... .. 375,000

\* Assuming that he consumes 50 per cent. more than the agricultural labourer.

## THE DAIRY PRODUCE TAX OF 5 PER CENT.

Our imports in 1902 were :—

Foreign	...	...	...	£26,000,000
Colonial	...	...	...	7,000,000
Home-grown, say	...	...	...	50,000,000
				<hr/>
				£83,000,000

- (1) The Treasury would receive 5 per cent.  
on the foreign supply only ... .. £1,300,000
- (2) The consumer would pay on the whole... 4,150,000
- (3) *But the Colonist would get only* ... .. 350,000

This may be summed up in a sentence. *The consumer would pay £16,000,000 to give the Treasury only £5,950,000, and to give the British Colonist only £1,500,000.*

## THE SUGGESTED COMPENSATION.

On the figures of the fiscal year 1902-3 the following result is arrived at :—

## TAXES REDUCED.

Three-fourths of tea duty	...	...	...	£4,500,000
One-half of sugar duty	...	...	...	2,500,000
Part of cocoa and coffee duties, say	...	...	...	100,000
				<hr/>
				£7,100,000

But, as we have seen, the consumers' loss on bread, meat, butter, eggs, and cheese would be £16,300,000. So that we get:—

## CONSUMERS' LOSS ON TRANSFER.

Loss on corn, meat, and dairy produce	...	...	...	£16,300,000
Gain on tea, etc.	...	...	...	7,100,000
				<hr/>
Balance loss*	...	...	...	£9,200,000

## TREASURY'S LOSS AND GAIN.

Loss on remission of tea, etc., taxes	...	...	...	£7,100,000
Gain through corn, etc., taxes	...	...	...	5,950,000
				<hr/>
Balance loss	...	...	...	£1,150,000

The consumer will further lose heavily by the tax of £9,000,000 on manufactured imports, which will increase the price of the home-manufactured article as well.

---

\* Mr. Ritchie, at Croydon, on October 9th also put the loss to the consumer at £9,000,000.

## APPENDIX C.—OUR FOOD SUPPLY.

Mr. Chamberlain's aim, as now declared, is to make the Empire self-sufficing. Observe, then, what proportion of our food comes at present from the Colonies :—

### BRITISH FOOD IMPORTS IN 1902.

Distinguishing foreign from Colonial supplies, and showing re-exports and the amounts retained for home consumption.

	From Foreign Countries.	From British Possessions.	Total.	Re-exports of goods pre- viously im- ported.	Retained for Home con- sumption.
	£	£	£	£	£
Animals, living for food..	6,554,020	1,760,900	8,314,920	11,210	8,303,710
Butter .. .. .	17,992,500	2,534,500	20,527,000	228,000	20,299,000
Cheese .. .. .	1,979,000	4,433,000	6,412,000	157,000	6,255,000
Cocoa (manufactured ) and unmanufactured )	1,840,000	750,130	2,590,130	447,000	2,143,130
Coffee (raw and roasted)..	2,116,000	500,000	2,616,000	1,051,000	1,565,000
Corn, Grain, Meal, & Flour					
Wheat .. .. .	19,411,000	7,669,000	27,080,000	9,000	27,021,000
Barley .. .. .	7,107,000	25,000	7,132,000	2,000	7,130,000
Oats .. .. .	4,857,000	185,000	5,042,000	6,000	5,036,000
Rye .. .. .	205,000	107,000	312,000	400	311,600
Buckwheat .. .. .	24,000	160	24,160	—	24,160
Peas, Beans & Lentils	1,038,000	531,000	1,569,000	14,000	1,555,000
Maize .. .. .	11,607,000	106,000	11,713,000	25,000	11,688,000
Wheatmeal and Flour	8,042,000	884,000	8,926,000	33,000	8,893,000
Oatmeal and Groats..	285,000	34,000	319,000	7,000	312,000
Miscellaneous .. ..	715,400	338,030	1,053,430	7,000	1,046,430
Eggs .. .. .	6,099,000	210,000	6,309,000	25,000	6,284,000
Farinaceous Substances—					
Rice, Ricemeal, and Flour .. .. .	666,000	1,348,000	2,014,000	488,000	1,526,000
Other farinaceous substances .. .. }	1,050,000	541,000	1,591,000	66,000	1,525,000
Fish .. .. .	2,792,500	1,316,500	4,109,000	808,000	3,301,000
Fruit .. .. .	11,571,000	1,348,000	12,919,000	1,019,000	11,900,000
Lard and imitation of lard	4,163,000	241,000	4,404,000	162,000	4,242,000
Margarine .. .. .	2,571,000	400	2,571,400	46,000	2,525,400
Meat—					
Bacon .. .. .	12,224,000	1,203,000	13,427,000	317,000	13,110,000
Beef .. .. .	7,553,000	596,000	8,149,000	107,000	8,042,000
Hams .. .. .	3,438,500	420,500	3,859,000	121,000	3,738,000
Mutton, fresh .. ..	3,152,000	3,763,000	6,915,000	9,000	6,906,000
Pork .. .. .	1,728,500	23,500	1,752,000	29,000	1,723,000
Other Meats .. .. .	3,430,000	555,000	3,985,000	314,000	3,671,000
Milk .. .. .	124,000	1,850	125,850	62,000	63,850
Oilseed Cake .. .. .	2,313,000	160,000	2,473,000	18,000	2,455,000
Poultry and Game .. ..	1,035,000	24,000	1,059,000	22,000	1,037,000
Spices .. .. .	177,000	688,000	865,000	590,000	335,000
Vegetables .. .. .	3,299,000	777,000	4,076,000	251,000	3,825,000
Sugar .. .. .	13,791,000	941,000	14,732,000	74,000	14,658,000
Articles containing sugar .. .. .	3,174,000	280,000	3,454,000	311,000	3,143,000
Tea .. .. .	810,000	7,980,000	8,790,000	1,827,000	6,963,000
Miscellaneous .. .. .	3,326,000	464,500	3,790,500	235,000	3,555,500
	£172,574,420	£43,159,970	£215,734,390	£8,888,660	£206,845,730

In percentages we obtain our imported food :—

	From Foreign Countries.	From British Possessions.	Total.
Wheat .. .. .	71·65	28·35	100
Meat .. .. .	82·65	17·15	100
All Food .. .. .	79·95	20·05	100



## APPENDIX D.—NOTE ON THE McKINLEY TARIFF.

According to one of the Birmingham leaflets, the export of manufactured goods from the United States increased between 1880 and 1890 from £21,000,000 to £31,000,000. Between 1890 and 1900 it increased from £31,000,000 to £90,000,000. The number of persons employed in manufacturing industries in the United States were 4,712,622 in 1890, and 5,718,817 in 1900.

These figures are given as a proof that the McKinley Tariff, which was passed in 1890 and came into full operation in 1891, was the cause of great prosperity in the United States.

The use made of the figures by the Birmingham Tariff Committee is entirely misleading. It is easy to expose this misuse of figures, and it is worth while making the exposure, as the argument is quite typical of those put forward by Protectionists.

Mr. Chamberlain's friends intend to prove two propositions: (1) That the McKinley Tariff greatly helped the development of industrial activity in the United States; and (2) That the condition of the working classes was thereby improved. So far as the figures prove anything they go to show the exact contrary, though the complete figures are not given in the Birmingham leaflet.

In 1880 the number of persons employed in manufacturing industries in the United States was 2,732,000; in 1890 the number of persons so employed increased to 4,712,000, an increase of 1,980,000. In 1900 the number of persons employed in manufacturing industries was 5,719,000, an increase of 1,007,000 over 1890. Thus, the increase in the ten years before the McKinley Tariff was 1,980,000, and in the next ten years only 1,007,000, or very nearly double as much in the earlier period.

As with the increase in the number employed, so also with regard to wages and salaries, the period 1880—1890 tells a better tale than the period 1890-1900. In the census returns wages and salaries are put together, so that the figures for wages alone cannot be given. But, from the wages curve published in the chart at page 274 of the Board of Trade Memorandum, it will be seen that wages, as well as the total of wages and salaries, declined after the passing of the McKinley Tariff.

In 1880 the amount paid in wages and salaries was 947,000,000 dollars; in 1890 the total was 2,283,000,000 dollars; and in 1900 2,735,000,000 dollars. Thus, between 1880 and 1890 there was an increase of 1,136,000,000 dollars paid in wages and salaries, while between 1890 and 1900 the increase was only 452,000,000 dollars. It will therefore be seen that in 1890 the increase of total wages and salaries did not keep pace with the total increase of the numbers employed. On the other hand, before 1890 the total increase of wages and salaries more than kept pace with the increase of numbers employed.

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